TELESTE

Annual Report 2009

Information for the Investors

Annual General Meeting

Teleste Corporation's Annual General Meeting will be held on Friday, 9 April 2010, commencing at 3 p.m., at Finlandia Hall in Helsinki, Mannerheimintie 13 e. Registration begins at 2 p.m.

Shareholders wishing to attend the Annual General Meeting must be registered on the list of shareholders kept by Euroclear Finland Ltd no later than Friday, 26 March 2010.

Shareholders wishing to attend the Annual General Meeting must inform the specified company no later than Wednesday, 31 March 2010 by 4 p.m.

Registration

Email: investor.relations@teleste.com
Post: Tiina Vuorinen, Teleste Corporation,
P.O. Box 323, FI-20101 Turku, Finland
Phone: +358 2 2605 611, fax: +358 2 2605 812

A Holder of Nominee Registered Shares

A holder of nominee registered shares is advised without delay to request necessary instructions regarding the registration in the shareholders' register of the Company, the issuing of powers of attorney and the registration for the Annual General Meeting from his/her custodian bank. The account management organization of the custodian bank will register a holder of nominee registered shares, who wants to participate in the Annual General Meeting, to be temporarily entered in the shareholders' register of the Company at the latest 6 April 2010 at 10 a.m.

Proposal for Distribution of Dividend 2009

The Board of Directors proposes that a dividend of EUR 0.08 per share for the financial year 2009 will be paid to free-floating shares. The dividend will be paid to shareholders who are registered on the record date of 14 April 2010 on the company's Shareholder List, which is kept by Euroclear Finland Ltd.

Publication of Financial Information in 2010

Interim Report, January–March	28.4.2010
Interim Report, January–June	21.7.2010
Interim Report, January–September	27.10.2010
Financial Statements	2.2.2011

More information can be found in the Shares and Shareholders section on pages 84–91.

Teleste was founded in 1954 and in 1999 the company was listed on the current NASDAQ OMX Helsinki Oy. Teleste is an international technology group specializing in broadband data communication systems and solutions. As a new market area, Teleste has invested in the provision of services for the cable network market, which constitutes a new significant source of revenue. Teleste's know-how is based on decades of wide-ranging special expertise in network technology and signal processing. Supported by our good customer cooperation and high-quality equipment and solutions we are now creating tomorrow's IP/DVB solutions. Our vision is to become the leading provider of broadband video technology and services for operators.

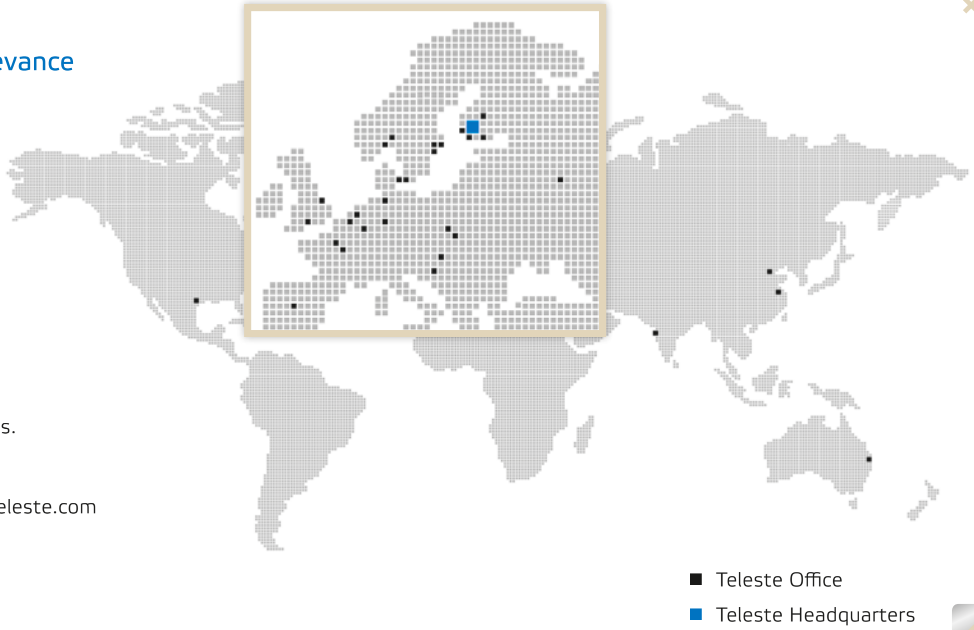
Global Presence – Local Relevance

Teleste is headquartered in Turku. In 2009, our main premises were significantly extended by annexes including a new module plant and a logistics centre.

The number of Teleste offices around the world is more than 30.

Our main market continues to be Central Europe, currently covered by our densest network of own offices.

For detailed contact information visit our company website at: www.teleste.com

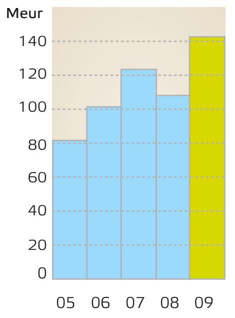


Key Figures

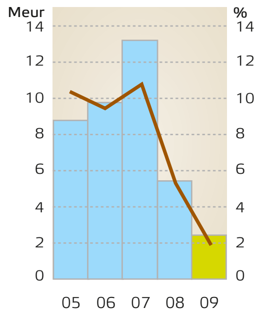
Investing in the services business, which is less sensitive to economic fluctuations, turned out to be the right strategy in 2009. Thanks to our significant investments in the technical services companies of the largest European cable network market in Germany, Teleste's net sales increased in comparison with the previous year. On the other hand, in 2009 Teleste's financial key figures were affected by the exceptionally widespread recession.

Year 2009 in Brief	2009	2008	Change, %
Orders received, Meur	151.0	118.6	27.3
Net sales, Meur	141.7	108.7	30.3
Operating profit, Meur	2.5	5.6	-55.2
Profit for the financial period, Meur	0.4	5.5	-92.5
Earnings per share, eur	0.02	0.32	-93.8
Shareholder´s equity per share, eur	2.68	2.74	-2.2
Return on capital employed, %	3.3	10.4	-68.3
Share trade, % of share capital	44.0	64.6	-31.9

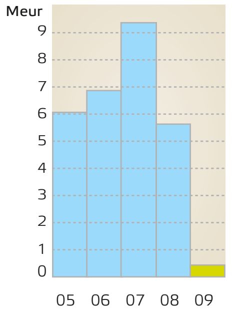
Net Sales



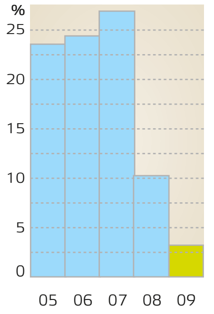
Operating Profit



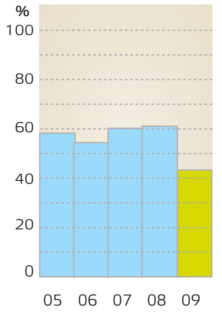
Profit for the Financial Period



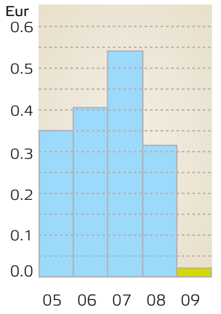
Return on Capital Employed



Equity Ratio



Earnings per Share



Business Areas

Broadband Cable Networks

Broadband Cable Networks businesses deliver broadband access networks, video service platforms and network services for operators who provide video-related services to end-users, with cable operators being our major customer groups. Broadband access network deliveries include hardware, software and solutions for building combined fibre-optic & coax (HFC) cable networks and next generation access networks. Video service platform deliveries include cable TV and IPTV headend and video distribution solutions. We supply both stand-alone applications and integrated turnkey network deliveries.

Broadband Cable Networks	2009	2008	Change, %
Orders received, Meur	131.8	101.4	30.0
Net sales, Meur	125.5	92.6	35.6
Operating profit, Meur	2.9	6.1	-53.1
Operating profit, %	2.3	6.6	

Video Networks

Video Networks business delivers comprehensive CCTV applications mainly to public authorities. Our aim is to improve the security and efficiency of society, by manufacturing and delivering high-quality video surveillance network solutions for processing, transmission and management of real-time video, data and audio. With public authorities as the main end-user group of our systems, the most important applications are traffic control systems for road and rail transport, urban surveillance systems and applications related to public safety in areas such as border control, ports and airports.

Video Networks	2009	2008	Change, %
Orders received, Meur	19.2	17.2	11.6
Net sales, Meur	16.1	16.1	0.1
Operating profit*, Meur	-0.3	-0.5	n/a
Operating profit, %	-2.1	-2.9	

* Video Networks' operating profit includes an impairment loss of EUR 0.8 million.

In 2009, in spite of the challenging market situation Teleste took a number of positive development steps. The four acquired German companies providing services to cable operators turned Teleste the biggest and leading European technical services company in the cable network business. Secondly, a significant project involving an ancillary building was concluded, and thanks to this, activities related to production and logistics were concentrated to the factory extension built in the connection to the headquarters. But some negative impacts were impossible to avoid. Due to decreasing demand, Teleste had to implement some significant costcutting measures with consequences to the entire personnel.

Commercial Successes

The German NetCologne GmbH is a cable operator established primarily in the Cologne and Bonn areas. In 2009 the company renewed the fibre-optical sections of its broadband network using Teleste's solutions. The upgrade involved the so-called Fibre-to-the-Building – FTTB for short – infrastructure; the entire project includes building of the optical network, project management and coordination on site with the building constructors. The order received by Teleste in July was in the magnitude of EUR 3.9 million. And no later than September the company placed an additional order of one million euros.

Chicago Transit Authority followed suit by placing with Teleste an order worth approximately three million euros for the supply of a video surveillance and recording system encompassing 144 railway stations. In addition to the delivery of equipment the contract included system integration and technical support.

In November **the German Versatel Telekabel AG** ordered a cable network upgrade including the headend system and the services for the renewal of the so-called access network and the house network as whole. The value of the project was approximately EUR 2.2 million.

EM Group to Provide Significant and Responsible Ownership for Teleste

Specialising in broadband technology Teleste fits in exceptionally well to the EM Group strategy as industrial and especially high-tech business constitutes part of EM Group's core competence. Responsible ownership refers to genuine interest in the company and a strong commitment to the understanding of its business logic. As Chairman of Teleste's Board I wish to commit myself to the company and make a special effort in promoting its future success.

Marjo Miettinen
Teleste Corporation, Chairman of the Board
EM Group Oy, CEO

Major shareholders 31.12.2009

1. EM Group Oy 20.32%
2. Mandatum Life 9.43%
3. Ilmarinen Mutual Pension Insurance Company 5.03%
4. Kaleva Mutual Insurance Company 4.63%
5. Aktia Capital Mutual Fund 2.94%
6. Varma Mutual Pension Insurance Company 2.93%

Technological Acknowledgements

In September Teleste received prestigious award at the Liberty Global 2009 Summit
Liberty Global is one of the largest cable operators in the world with its approximately 17 million subscribers. The European division of Liberty Global is UPC Broadband which has CATV networks, amongst others, in Switzerland (Cablecom), in Belgium (majority shares of Telenet) and in most countries in Eastern Europe. All major suppliers of the industry were present in the summit exhibiting their latest product innovations. Teleste focused on the latest developments of AC 00 node, CXE180 amplifier and Luminato IP HE platform.

Teleste was nominated in "Best transport HFC supplier" category and was recognised as a supplier that has structurally supported the high level development and innovations of Liberty Global's business.

Teleste Luminato and MyCast well received at IPTV World Forum 2009
IPTV World Forum took place in London 25–27 March 2009. The IPTV conference focuses on the strategic insight of industry leaders. Now in its fifth year, the forum attracted attendees from 80 countries. The event is firmly established as the world's leading event on IPTV with 200 exhibitors and over 180 speakers addressing the key strategic issues for companies deploying IPTV – a must show for any Telco, TV and content executives.

At IPTV World Forum exhibition Teleste showcased the latest of Teleste MyCast Hybrid TV development and Luminato headend platform for IPTV environments. A live demo presenting Teleste's new hybrid TV solution took place at the stand, demonstrating how the benefits of traditional broadcast TV and IP technology are brought together by combining the best of IPTV and DVB-C. The visitors had the opportunity to see a a demo of mobile phone controlled Video on Demand service created in Finland using Teleste MyCast.

IMPLEMENTATION OF SUBSTANTIAL CHANGES and reforms in Littoinen plant and to Teleste plant network

April 2009

May 2009

June 2009

July 2009

September 2009

Teleste has rationalised and streamlined its logistical operations in line with the adopted production strategy. The old factory real estate in Nousiainen was sold, and in the beginning of 2009 a new module plant and logistics centre were built in connection with the HQ and plant in Littoinen.

The expansion of the plant completed in December enabled Teleste to centralise all of its production and storage operations in Finland into one facility. This involves also a significant ecological reform eliminating any unnecessary handling and transport of products and materials between various facilities.

The final assembly of products has now been centred on the old plant section in Littoinen while the automatic assembly and flow soldering lines moved from Nousiainen as well as operations related to the manufacturing of amplifiers are placed in the new construction. At the same time, the small storage unit in Turku was relocated to the new facilities. Personnel of the old facilities continue their duties in Littoinen.

In addition to the made changes, material flows have been streamlined and the efforts designed to make our operations more efficient on the basis of the Lean Principles will go on in 2010.

In total the new plant expansion features approximately 2,500 sqm out of which the part of the new storage takes some 900 sqm. Additionally, premises of approximately 1,200 sqm were built in the new construction to accommodate offices. Teleste's plant in China and the local EMS partners will continue unaffected focusing on the manufacturing of low end products.

Expanding by Acquisitions

Teleste became the leading network services provider for the German cable operators through acquisitions
Germany, the largest single cable network market in Europe, is one of Teleste's most important market areas. Approximately 20 million end-customers access the networks of the largest German cable operators. In addition to its strong product offering, Teleste has developed local network technical services geared to the operators.

Teleste's services business was strengthened by the acquisition of three German companies – MKS, Young-Net GmbH and Antel GmbH – specializing in cable network services on 1 January 2009. These acquisitions allow Teleste to provide its customers a comprehensive range of services from upgrading house networks to maintenance services.

MKS and Young-Net operate in North Rhine-Westphalia, Lower Saxony and Rhineland-Palatinate in the Western and Central Germany, whereas Antel operates in the Southern region of Bavaria. In July 2009 Teleste acquired yet a fourth company – AVC Systemhaus GmbH – operating mainly in the Berlin area and in the Eastern Germany.

All four acquired companies provide operators with services both directly and through the Cableway consortium founded earlier in which Teleste has a 75% holding. The made acquisitions increased Teleste's number of personnel by more than 560.

Teleste's strategy will continue to be the leading comprehensive technology and services partner to the cable operators.

Leader in Broadband Video

The world will soon be on the second wave of information society, where video is everywhere. The revolution in communication leads to an explosion of digital network content. We at Teleste are ready to transform these challenges into opportunities, based on our strong knowhow and competence backed by over 50 year industry experience.

Core Competence, Values and Vision

CORE COMPETENCE
Transformation of awareness about customer needs and technology into fully optimised end-to-end broadband and video solutions for operators, video processing and transmission technology (RF, IP)

VISION
Leading provider of broadband video technology and services for operators

VALUES
- Customer centricity
- Respect
- Reliability
- Result orientation

We continue to focus on products and services for processing, networking, transmission and management of video and data.

Strategic Directions

Broadband Cable Networks
Our offering focuses on access network solutions, such as HFC and FTTH, DVB/IP processing (head end) solutions and end-to-end services. We will continue our strong local presence in our target markets (Europe and selected other markets) and will continue to utilise our deep understanding of the needs of our customers for offering optimised solutions. Technology will remain at the core of our activities.

Video Networks
Our offering focuses on video transmission and network management solutions and certain supportive technologies such as video detection and video image analysis technologies. Our target markets are the public market segments globally which we address mainly through partners. The focus will be on matters bringing growth.

Key Strategy Areas

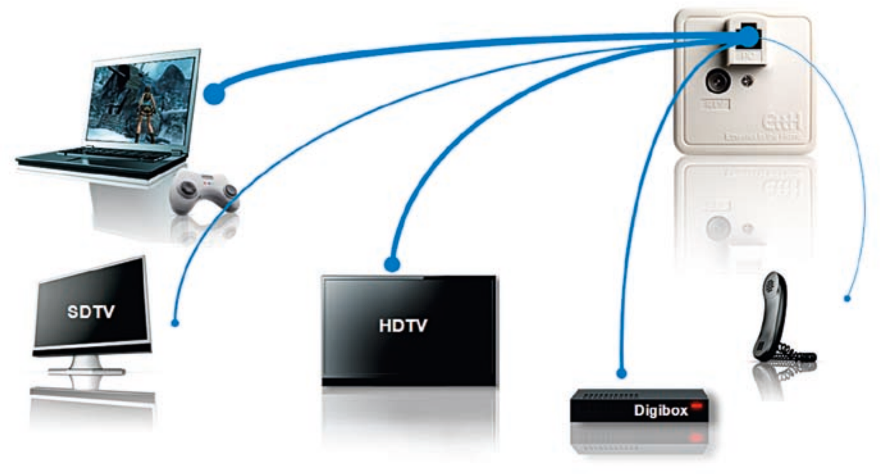
We will remain a provider of best professional products and services in the markets we are addressing. We will continue investing in HFC solutions and increasing our HFC market share in Europe. We see a strong growth potential in optical products, and will continue our development towards fibre rich networks, FTTX (baseband). We will widen our presence in the selected segments of the DVB/IP service platform area.

In services business, we will combine entrepreneurship with professional processes and build up sufficient local size to be a potential long term partner for our customers. We continue to focus on internal processes and our personnel and will further strengthen our innovative culture with the aim of serving our customers in the best possible way. In video surveillance, we will increase our investments into video management and supportive technologies and our market presence through partners.

Bandwidth Requirement Today and Tomorrow…

Already today, active users rely on speeds of tens of Mbit/s in their everyday lives. These consumers watch and record simultaneously HDTV content/services, download video on the web, and play interactive games on the web. This is just the beginning. At Teleste we see a digital future where video is everywhere for everyone:

- on the web: YouTube, downloading, social media, WebTV;
- in your home: HDTV, IPTV, 3DTV, gaming;
- on new device: mini laptops, mobile TV;
- all around you: security and surveillance



Video everywhere means more bandwidth requirements. Physical access will generate new uses. For high-speed connections i.e. 100 and 1,000 Mbps or higher, physical network is the only cost-efficient solution. The existing hybrid fibre coaxial (HFC) networks will continue their evolution towards fibre rich networks (FTTX).

Services Added to Technological Knowhow

For Teleste, year 2009 was characterised by diverging trends. Concerning deliveries of products and systems to network operators, we fell short of 2008, primarily because of the decline in investments caused by the global economic crisis. On the other hand, our services business geared for the same client groups continued its promising growth supported by strategic acquisitions. Similarly, orders placed on our video monitoring systems developed favourably. Thanks to these positive developments and the adaptation measures brought about by the difficult market situation our operating profit was in the black, yet clearly below the previous year's level.

Above all, Teleste's key figures for 2009 were affected by two factors: the exceptionally wide-spread economic downturn and our strategic acquisitions in Germany. Thanks to our significant investments in the technical services companies of the largest European cable network market, Teleste's net sales increased in comparison with the previous year. Net sales amounted to EUR 141.7 (108.7) million, a year-on-year increase of 30.3%. The clear drop in the sale of products and systems particularly in Q1 over the previous year could be seen in terms of our operating profit being shrunk to EUR 2.5 (5.6) million, a fall of 55.2%. Undiluted result per share ended at EUR 0.02 (0.32). Return on investment stood at 3.3% (10.4%). Along with the growth in our services business, orders received grew up to EUR 151.0 (118.6) million, an increase of 27.3%.

Operators are Biding Their Time

Our main business area Broadband Cable Networks provides products, systems and services related to modern communication networks. The most significant part of our clientele involves leading European cable operators – who compete, above all, with telecom operators – carrying in their broadband networks data, voice and video. Pressures are mounting towards upgrading the transfer networks. Good examples of new services requiring more transfer capacity include high-speed internet access, digital television, HDTV, IPTV, VOD and even 3DTV is entering the scene. Increasingly complex systems open up a lot of opportunities for technology companies like Teleste with special expertise in network technology and signal processing.

In spite of a number of pressures, 2009 turned out to be a year of transition for our clientele in their pursuit of upgrading the existing technology. The global economic crisis was also felt in the operators' daily routine. Orders on products and systems already agreed were postponed or frozen for the time being. Similarly, new investments were delayed. In this respect, Q1 was particularly poor for Teleste. This caution shown by some of the operators can be partially explained by the structure of their balance sheet. In economically challenging times, funds of the operators, who are largely owned by private equity investors, are often allocated to strengthening of one's own capital structure instead of investments. Compared with 2008, orders on products and systems received by Broadband Cable Networks fell by approximately one third.

Services Business Development by Targeted Acquisitions

In 2009 we took noticeable steps in implementing our strategy through acquisitions. What we aim at is a structural change, in other words giving a greater role for services in our business operations. Various maintenance and service operations improve our facilities in comprehensive deliveries and level off the cyclic pattern in network investments while providing, to some extent, a channel for our product and system solutions.

Right in the beginning of the year we acquired three German technical services companies – MKS, Young-Net GmbH and Antel GmbH – operating in the cable network business. In the mid-year we took another step by acquiring AVC Systemhaus GmbH, which effectively made us the leading services company in the largest cable network market in Europe. We now can provide geographically comprehensive service backed by sufficient resources in the field. In Germany, our clients include Europe's largest cable operators such as Kabel Deutschland whose networks provide access to approximately 20 million end-users. In Germany we operate partially under the service and management company Cableway in which we currently have a 75% holding.

Investing in the services business, which is less sensitive to economic fluctuations, turned out to be a right move in 2009. Integrating the acquired companies to become part of Teleste's processes gathered speed quickly and our net sales in Germany increased. We progressed positively also in Belgium and in the United Kingdom, where we successfully expanded our network planning and projecting services to Virgin Media. In terms of net sales we have reached our goal of having created a good balance between our product and technology solutions and services business. Our obvious intention is to grow in both of these sectors.

In 2009, net sales of Broadband Cable Networks equalled EUR 125.5 (92.6) million, an increase of 35.6% over the previous year. Operating profit equalled EUR 2.9 (6.1) million, a drop of 53% from the year of comparison.

Chicago Train Stations Safeguarded by Teleste Solutions

The smaller of our business areas, Video Networks, specialises in high-quality integrated video monitoring systems. The unit has special expertise in extensive monitoring networks pulling together cameras, recorders and monitoring stations from a number of sites. Professional CCTV applications are also making the transition from analogue solutions to IP-based recording and network technologies. This will create synergic benefits once our business areas can utilise this shared basis of knowhow. Video Network's clientele comes mainly from the public sector. For example, the French National Railway Authority SNCF is our long-term customer for their nation-wide railway network.

THE PAST YEAR OF STRUCTURAL CHANGE took a tangible form on Teleste's main premises in Littoinen near Turku. The extension consisting of a module plant and a logistical centre was introduced right in the beginning of 2010.

Demand for our video monitoring systems proved to be almost immune to the general market situation, orders received increased, no less. The greatest and most delightful order by far was received from the United States. Teleste will deliver a VMX video monitoring and recording system for 144 railway stations with almost 4,000 cameras for Chicago Transit Authority by June 2010. This order of three million euros is designed to safeguard the passengers against threats posed by crime and terrorism even better than before. Other important deliveries by Video Networks went to France and England.

The 2009 net sales of Video Networks amounted to EUR 16.1 (16.1) million. Operating profit stood at EUR –0.3 (–0.5) million. The negative result was due to impairment losses of EUR 0.8 million.

New Principal Owner, New Plant and New Significant Partner

In the beginning of the year we received a new principal owner as the holding of the Finnish EM Group Oy in Teleste Corporation exceeded 20%. Soon also the Board of Directors was renewed. In my view, a strongly committed Finnish principal owner with industrial corporate culture provides good preconditions for Teleste's long-term development and growth.

Significant internal events also included expansion of our main premises in Littoinen near Turku. The old factory real estate in Nousiainen was sold, and a new module plant and a logistical centre with the combined area of about 3,700m^2 were built in Littoinen. The annex completed in December enabled focusing all of Teleste's Finnish production and inventory operations in one spot. This, in turn, opens up obvious opportunities for streamlining of production and logistical operations.

It was a tough year for many Teleste employees owing to the cost adaptation measures required by the difficult market situation. These measures were designed to provide the tools by which the company would come through these financially challenging times strong and capable of success. Our personnel have shown strong commitment and flexibility to develop the company even in times like these.

Despite the current uncertainties related to forecasting, we have actively invested in Teleste's future by pressing on with our development efforts. Priorities in our developmental procedure continue to be productivisation process and lean manufacturing. As to product development, we have invested particularly in the advancement of the Luminato headend technology, the MyCast IPTV system, the product ranges of AC and HDO and the VMX video network management and recording system. Moreover, we signed a strategic cooperation agreement with Cybercom Plenware producing software development services. On the signing of this contract, 23 Teleste employees started work under Cybercom on their existing conditions.

Outlook 2010

We have put behind us a historic year when the entire world economy contracted for the first time since the World War II. Predictions concerning the speed of the market recovery vary, but a period marked by a slow and uneven growth is estimated to have begun. I believe the bottom of the depression for Teleste's product and system deliveries is past and deliveries for 2010 will remain at least level with those in 2009.

Signs of emerging growth could, however, be seen in 2009 already as the demand for video processing products such as Luminato and MyCast picked up towards the end of the year. Considering the market situation, the sale of optical fibre solutions in subscriber network products remained on a satisfactory level. High-speed transfer rates required by video, better image quality and interactive services gaining ground are guaranteed to downright force the operators to upgrade their existing networks at some stage.

Our services business and video monitoring solutions are likely to be equally successful in the future. At any rate, in a modern information society any network disruptions will have to be addressed without delay. Our leading position in Europe's largest cable network country will breed more net sales. The strong ownership basis and balance sheet of our company provide the necessary preconditions for further development of our services business. The challenging global situation concerning safety, continually increasing traffic and our good customer references are likely to create a cautiously positive response in the market for our video monitoring systems. Furthermore, we have to bear in mind that any sizeable investments in video monitoring will be financed by means of public funds less vulnerable to market fluctuations. Regardless of all these positive signs, market development in 2010 demands a cautious approach. Nevertheless, in an uncertain market situation, the strategic investments made in the services business enable our net sales to grow from the 2009 level. Bearing in mind the increased net sales and the adaptation of costs we estimate that the operating profit will improve over 2009.

I thank all of our stakeholders and, above all, our personnel for their patience, good cooperation and genuine commitment in tough times. We are moving in the right direction and thanks to our promising business areas and high-level competence, Teleste's future looks bright.

Teleste Corporation
CEO Jukka Rinnevaara

THE DIGITAL FUTURE
The revolution in communication leads to the explosion of digital network content. Teleste supplies solutions which help operators to enter the new era seamlessly.

Business Areas

In Teleste's two business areas, Broadband Cable Networks and Video Networks, our business is focused on delivery of network solutions and services for operators who provide video-related services to end-users.

BROADBAND CABLE NETWORKS is organized into two businesses that serve cable operators and a major part of its business activities are handled through direct customer contact. Video and Broadband Solutions business deliver hardware, software and solutions for broadband access networks and video service platforms (digital video distribution applications). Network Services business deliver comprehensive network service solutions including rebuilding, updating and maintenance services of cable networks.

VIDEO NETWORKS business unit delivers world-class video surveillance applications mainly to public authorities. Our aim is to improve the security and efficiency of society, by manufacturing and delivering high-quality video surveillance network solutions for processing, transmission and management of real-time video, data and audio. The most important applications are traffic control systems for road and rail transport, urban surveillance systems and applications related to public safety in areas such as border control and airports.

Broadband Cable Networks Product Business

Teleste Broadband Cable Networks product business provides access network products, headends and IPTV systems as well as broadband solutions to cable operators of all sizes.

Our Vision: To be the leading technology partner to the cable operators.

Mission: To enable the development of home information and entertainment by providing innovative and reliable technology solutions.

Solution: HFC access network and integrated video headend solutions.

Key markets: Europe and selected markets in Asia.

Primary clientele: Cable operators, telephone companies and system integrators.

Teleste is the leading supplier of access networks to European cable operators. Our offering includes all components of the HFC network from fibre-optic solutions to field amplifiers all the way to house network amplifiers and passive components. Teleste's key competitive edge is our ability to respond to the needs of the large cable operators by modifying our offering of products to solve the customers' challenges.

Teleste goes back a long time as a supplier of headends. Our focus has shifted from analogue headends to fully digital ones to be complemented by our next generation IPTV product range. In this segment we have expanded our market area especially in Eastern Europe and in selected Asian markets.

As for broadband solutions, we deliver next generation subscriber networks providing households with data transfer rates as high as up to 100 Mbps and even over.

The significance of support systems is growing rapidly as the technologies and systems get increasingly complex. In our product business we focus on the provision of consultancy services related to system design and system verification, maintenance services for the supplied systems as well as training.

Customers and Markets

The backbone of Teleste's clientele is formed by largest European cable operators. Today's cable operators provide the households with all the essential telecommunication services: TV programming, telephony and broadband access to Internet. For the operators to maintain and strengthen their competitive edge they need to invest continually in increasing access network capacity and in solutions allowing them to launch to the market new innovative services.

The most notable investments made by the operators involve expansion of the fibre-optic network ensuring sufficient data transfer capacity per household. In a modern network one fibre-optic node serves 70 to 500 subscribers so that the existing coaxial cabling between the node and the household can be utilized. Thanks to the great data transfer capacity of the coaxial cable, cable operators have a significant competitive edge over traditional telephone companies: the cable operators can provide superior capacity to the consumer by making a smaller investment in the network. And Teleste is in the position to provide its highly competitive product range for the relevant network investments.

Teleste's latest generation of headend solutions is designed for small and medium sized networks. Alongside with small independent operators this also allows the large cable operators – who apply Teleste's solution to their local networks – to use our products. In order to reach the small and medium operators Teleste has focused particularly on building up distribution channels especially in Central and Eastern Europe.

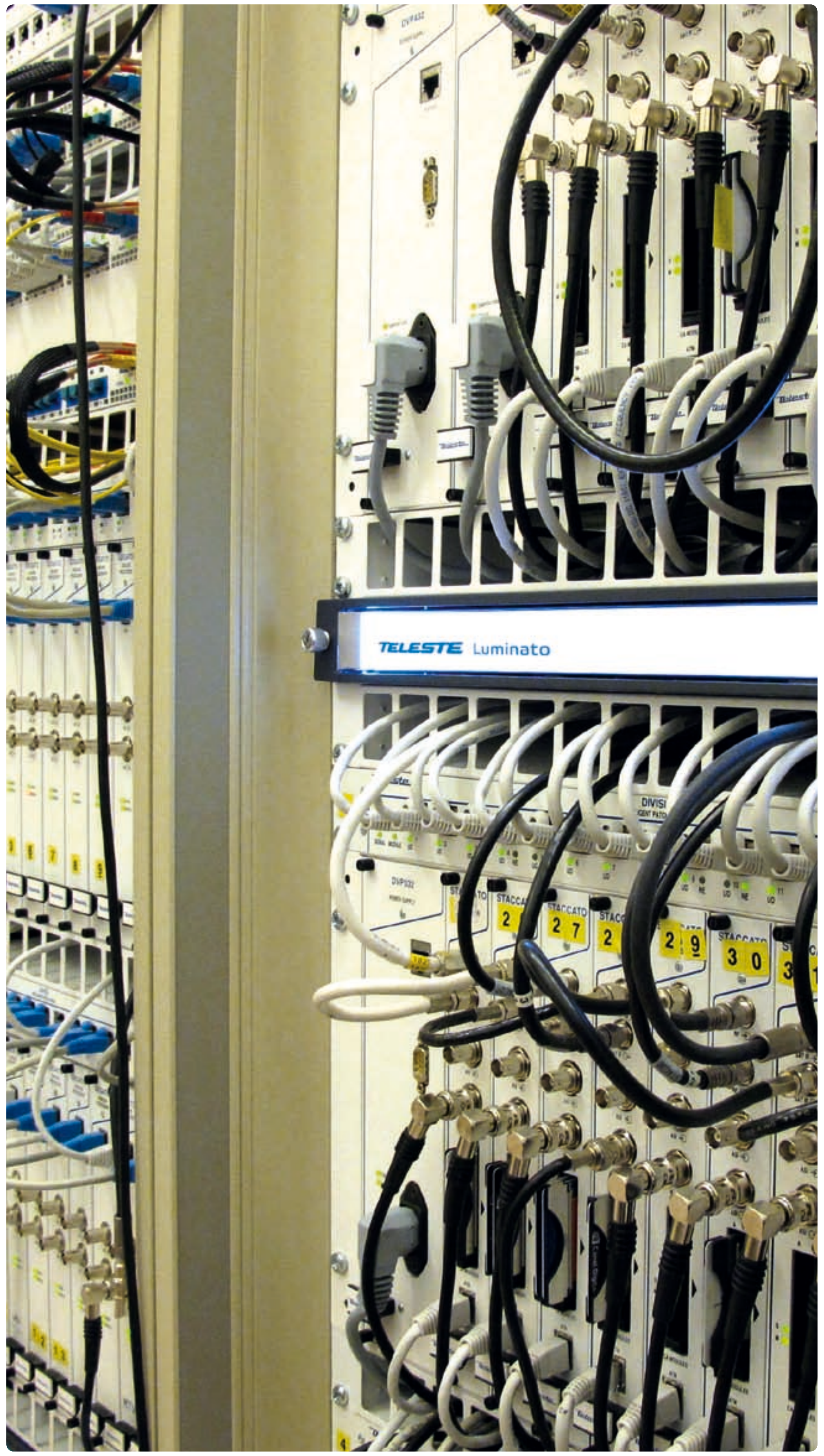
Highlights 2009

Year 2009 was characterized by economic depression, which led to a significantly more cautious pace of investment by some cable operators. The recession has had no significant impact on the cable operators' income flow as the consumers' buying behaviour has remained the same with regard to TV and data services. Instead, for reasons related to some operators' ownership and balance structure, their preconditions for arranging the necessary financing has become more difficult in the challenging market situation. On the other hand, those with a strong balance sheet have continued with their investments quite normally. Teleste has delivered fibre-optic segmentation projects especially in the Netherlands, Belgium, Germany and the Nordic countries. In the UK too, we have gained market shares in both fibre-optic networks and headends. Albania can be named as a new market area, where investments in headends and cable networks have got underway.

In 2009 we have considerably increased the deliveries of the Luminato headend system. We have received orders from Nordic cable operators as well as from Eastern Europe, Spain and China. In India, owing to the uncertain market situation the beginning of the Digicable Network delivery has been delayed. In addition to these, Teleste has signed an OEM contract on the distribution of the Luminato product range with a significant actor in the field. Also in the hospitality segment we have secured new customerships while continuing deliveries to our traditional clients.

Teleste has made tangible progress in the next generation subscriber network front, where the fibre optic cable is taken to the home. For cable operators we have launched the concept Radio Frequency over Glass, RFOG for short, which enables broadband distribution in the "Fibre-to-the-Home" topology.

Teleste's smart network concept has been finalised including the optical nodes and the AC 3000 amplifiers. These automatically self-adjusting products allow the cable operator to achieve considerable savings in terms of installation and maintenance costs. Naturally, these products have been integrated into Teleste's element and network management solution enabling additional expenditure cutbacks by means of remote network control.



The Steps to Follow

As to the HFC network, we will especially focus on fibre-optic solutions. We are constantly looking for new innovations allowing the operating expenses to be minimised either by automating field work or by replacing it with remote network management.

The optical access network and the passive products market provide opportunities for growth in which Teleste's traditional strengths can be put to excellent use. Furthermore, in in-home networks there is need for new technical innovations allowing interactive video to be distributed to various devices in households.

We will continue in developing the Teleste Partner Program designed to ensure our re-sellers' ability to develop the sales of Teleste products while providing professional maintenance services.

Nordit A/S – Digital TV Distribution Using Teleste Luminato Platform

Nordit A/S is a broadband service provider located in Aalborg, Denmark. Their service selection consists of data access, VoIP and mobile telephony services which they provide in all parts of the country.

Customers consist of small and midsized antenna associations providing the broadband related services to consumers. Currently over 50 antenna associations spread across the country receive and distribute services from Nordit A/S.

Digital TV is currently being rolled out by several operators in Denmark and also Nordit A/S has taken a step to further expand the service selection to cover digital TV services. Nordit A/S chose Teleste as their partner after careful evaluation of commercial and technological aspects. As a result, the Luminato headend platform together with the Broadcast Manager were chosen for receiving and delivering digital TV services to local antenna associations which ingest the services to local CATV network to be reached by TV consumers.

Verbier Provides its Customers a High Quality Analogue and Digital TV

Sateldranse SA is a Swiss cable operator, founded in 1986 and based in the Swiss canton of Valais, right in the high mountain area of the Alps.

With its headquarter in Le Châble (Val de Bagnes), the operator is serving six communities including Verbier, one of the most famous sports and tourist resorts for winter and summer. Including Verbier the subscriber base is on average 10,000 but about 50,000 visitors have to be served in winter time. The company provides Tripleplay (3play) service to these subscribers with its own headend.

Regarding its challenging customer base, staying in Val de Bagnes area from all over Europe, Sateldranse SA focuses on delivering the services with the highest quality and availability. Therefore the strategy is to invest into HFC/CATV network upgrades continuously, replace coaxial network segments by fibre and migrate closer to the subscriber premises to be prepared for FTTH in future. Therefore fibre to the last amplifier (FTTLA) is the right choice these days. Being highly committed to highest standard of quality and services, high quality products are a must.

Starting to realize its strategy, Sateldranse SA decided to use Teleste AC800 node for her FTTLA network. Several hundreds of them have been installed in 2009. This leads to a FTTLA network, designed with optical cells of 10 subscribers. In future this allows easily migration to FTTH. The AC800 nodes are easy to monitor by Teleste Element Management System (EMS). Bandwidth is up to 1 GHz like with all new Teleste HFC products.

Broadband Cable Networks Services Business

The acquisition of four services companies allowed Teleste to cover the entire German territory, which is important when working in cooperation with the largest cable operators. These acquisitions enabled Teleste to become the leading provider of network services to German cable operators.

Our Vision: To be the leading provider of network services to cable operators in the entire Europe.

Mission: To support the supply of home information and entertainment by first-class network maintenance and upgrade services.

Solutions: New construction, upgrading and maintenance services for cable networks.

Key markets: Northern and Central Europe.

Primary clientele: Our main customers include cable operators providing end-users with TV channels, telephone connections and broadband data communications.

The primary clientele of Network Services business unit consists of cable operators providing their end-users with three main basic services: TV channels, telephone connections and broadband data communication services.

The services provided by Network Services business unit consist of new construction, upgrading and maintenance of cable networks. The implementation and scope of the relevant services varies by client ranging from stand-alone applications to integrated turnkey deliveries. Some of our service business projects also include Teleste's own product solutions.

Our service know-how covers all the sectors related to the cable network technology from installation and maintenance of head-ends to upgrading of house networks. Parts of the projects are carried out by our subcontractor network.

Our main market includes Northern and Central Europe with Germany being the single biggest market area. In addition to Germany the business unit is currently engaged in local operations in the United Kingdom, Belgium and Finland.

Customers and Markets

The primary client group of the business unit consists of the largest European cable operators. Many operators intend to ensure their competitiveness by providing their clientele with new and more efficient services. These services are designed to decrease churn among the clients and, on the other hand, to increase the average revenue per user (ARPU). Internally, the operators are increasingly focusing on their own cost structure. Operations related to the technical management and hardware solutions of the cable network are increasingly outsourced or transferred over to the suppliers.

In 2009 the global recession was not significantly reflected in the operators' willingness to purchase network maintenance and development services from external suppliers. As estimated by the largest European operators, the drop in the demand for services would have been approximately 5 to 10%. Instead, decisions concerning outsourcing of services were expected. The outcome of the massive outsourcing campaign conducted by Kabel Deutschland GmbH was monitored, and it can be expected that this outsourcing program will set a pan-European example speeding up the relevant decisions in 2010.

The main markets for these services continue to be Germany and the UK in both of which the largest cable operators in the country continue their significant investments in the cable networks while using mainly external service providers for these projects. In Germany the principal projects involve building a high-speed internet access to households, and this requires upgrading of the old house network. The upgrading will be carried out either traditionally by renewing the coaxial cabling or on the principle of Fibre-to-the-Home. Both options are implemented by external service providers. In the UK the main focus related to the cable network is increasing the capacity of the distribution network to accommodate various modern services such as video on demand, VOD.

Besides Germany and the UK we expect the service market to develop favourably especially in Belgium, Switzerland and the Nordic Countries, where the operators are interested in cooperation with an expert in the field, such as Teleste, with more than 50 years of experience in cable networks.

Highlights 2009

In Germany the acquisitions made in the beginning of 2009 were continued in summer when Teleste acquired AVC Systemhaus GmbH, a service company operating in the eastern and northern part of the country. This acquisition allowed Teleste to cover the entire German territory, which is a matter of importance when cooperating with the largest cable operators. This acquisition enabled Teleste to become the leading network services provider to the German cable operators.

In 2009, Teleste's German operations focused especially on the development of quality and processes and on starting up the Kabel Deutschland cooperation. In spring, volumes of services priced by individual operations became manifold along with the outsourcing program of Kable Deutschland. Towards the end of the year we kicked off the implementation of the control system related to the new service process and started the planning of how to integrate the acquired companies. By the middle of the year we were operational in no less than five out of nine areas operated by KDG with the number of technical field staff exceeding 500.

In the UK, we aimed at becoming a significant partner and service provider to Virgin Media within the year. We successfully expanded our network planning and projecting services. In addition, we increasingly took responsibility of total project deliveries. Moreover, we opened doors to other operators, even if the customer projects were still unassuming by their scope. At the end of the year, 60 persons in all worked in customer projects.

Besides our main markets, we also made moves towards launching service operations in other markets. Especially the Belgian cable operator market developed favourably for us, and the first network planning projects to the leading Belgian cable operator were started in the second half of the year. Currently, four network designers are working on the projects.

In Finland, we delivered a number of network planning projects to our clientele and initiated a more detailed surveying of the services market. In Switzerland, we explored chances of getting started with services operations.

The Steps to Follow

Our primary objective in 2010 is to develop the profitability of the German operations. We will organise and integrate the company in order to improve the cost-efficiency. Furthermore, we have launched a sizeable resource planning project, which is designed automate and streamline our core processes. Growth in net sales is not a priority here; instead, we focus on developing our current customer relationships. At the moment all significant German cable operators belong to our clientele.

In the UK, besides creating other significant customerships outside the cable network market, increasing our share in the outsourced Virgin Media services continues to be our main objective. Our supply of services still consists of network design, but we aim at increasing the number of comprehensive projects and the degree of higher technical expertise in our offering.

As to our smaller services markets, we aim at expanding our provision of services in the cable operator segment (e.g. in Belgium), on one hand, and looking for new opportunities to increase the services operations (e.g. in Switzerland and Finland), on the other.

NetCologne Invests in Fibre-to-the-Building Infrastructure

NetCologne (founded 1994) is a Multiple Service Operator owned by GEW Corporation. Their original service area in Cologne has been continuously expanded and now covers several cities and municipalities in the vicinity, e.g. Bonn, Bergisch Gladbach, Aachen and Leverkusen.

NetCologne serves over 400,000 customers, of which 368,000 use a broadband internet connection and in addition 160,000 customers subscribing to broadband cable internet. NetCologne's estimated turnover in 2009 rises to EUR 340 million.

NetCologne decided to invest in Fibre-to-the-Building (FTTB) infrastructure, in order to cater for increasing bandwidth demand from the customers and to avoid use of leased last mile. NetCologne chose MKS (Member of Teleste Group) as a partner for the project.

The project scope includes planning of the optical network, project management and on site coordination with civil contractors. The project requires interfacing with local authorities, in order to obtain excavation permits, for opening the pavements in the busy and vibrant city of Cologne. Furthermore, demanding fibre handling and installation skills are necessary, as the to-be-built network shall serve their customers for decades to come.

Flomatik UK Continues to Expand Breadth and Depth of Services to Virgin Media

Flomatik have significantly increased its strategic importance to Virgin Media in the realisation of Next Generation Networks during 2009. As a key supplier of vendor independent Professional Services, Flomatik undertakes a wide variety of engineering, consultancy and scope of works projects.

Flomatik is actively supporting Virgin Media to implement one of its key initiatives to ensure Virgin Media's digital products are available to an additional 500,000 homes not currently served on today's network.

In addition to the expansion of the Network, Flomatik's 65 staff are involved with, or responsible for, many other critical activities within Virgin Media's network. These include optical core design to support large national business projects, switch migration of TDM and IP switches, digital TV and Video on Demand upgrades, equipment obsolescence programmes and broadband capacity upgrades.

Video Networks

Video Networks delivers all-inclusive CCTV applications. We focus on demanding targets requiring video surveillance that allow the end-user to benefit from networking together cameras, recorders and workstations across a number of locations into one unified CCTV system.

Our Vision: To be the leading provider of integrated video surveillance solutions.

Mission: To enable high-quality and efficient work of security professionals through provision of video surveillance technologies.

Solution: Extensive networked video monitoring solutions.

Key markets: The business focus is on high-quality video surveillance networks for road, rail and public places monitoring and corporate security systems on a global scale.

Primary clientele: The systems developed by Teleste are supplied mainly to the public sector. Teleste delivers its solutions to the end-clients for the most part through system integrators.

Video Networks makes available comprehensive CCTV solutions, which consist of a combination of state-of-the-art products and technologies, complemented with professional services ranging from system design through project deployment to system maintenance and training. In system integration projects, CCTV is linked up with other systems like traffic management systems, alarm & crisis management systems etc.

Through its own offices, Video Networks is present locally in all the major geographical markets: Europe, North-America and Southeast Asia. End-users are reached mainly through channel partners.

Customers and Markets

Video Networks is focusing on end-user segments requiring large-scale systems with a wide range of advanced features. The most significant segments stand for the public sector, such as local police for city centre monitoring, and authorities in charge of rail, road and air transport. As to the private sector applications, the primary end-user segments include process industries as well as utilities. These target market segments demand advanced video surveillance systems requiring high-quality and real-time video, audio and data networking, including tools to analyse and process the recorded video material.

Our customers wish to use the same CCTV system for a number of purposes. For instance, the video monitoring system at an airport can be used by airlines, retailers at the airport, guardian and security service providers, police and border guard, to name a few. This allows for maximum utilisation of the made investment. For these complex demands, the end-customers are looking for partners who can deliver customised solutions including maintenance and operation of the relevant infrastructure.

The long-term market outlook for IP based video surveillance is positive – in the coming years the current analogue systems will be replaced by full-digital systems and any new constructions will rapidly move over to IP based solutions in all the market areas.

Highlights 2009

Investments made on safety technology by public authorities continue unabated regardless of the global economic recession.

Teleste's deliveries to the French National Railway Company SNCF have continued. Currently, solutions provided by Teleste cover the Paris metropolitan area and the major national long-distance railway stations alike. The Paris area CCTV network ranks among the biggest in the world consisting of more than 180 metropolitan area railway stations and over 5,000 cameras.

In the rail segment Teleste signed an important contract with Chicago Transit Authority on the delivery of recording solutions for 144 stations. Moreover, we won the order for the Budapest Metro video control and recording system.

In cooperation with British Telecom Redcare we delivered an innovative CCTV monitoring scheme to the Sussex Police Authority in England. The project involves creating a unified video monitoring system by bringing together, through a network, the most important command and control centres for urban monitoring and police stations in the county. The objective is significantly to enhance and speed up the processes of safety authorities by making use of the cutting edge IP-based recording and networking technologies.

The video monitoring solution for Finavia at Helsinki Airport was carried out by Teleste.

In Australia, the Queensland State prisons provide an entirely new business area the first order of which was secured in 2009. The project integrator is Saab Security.

In addition to these significant projects, we have continued and expanded our businesses in the existing market areas of Australia, the Near East, South Africa, Europe and the USA.

The Steps to Follow

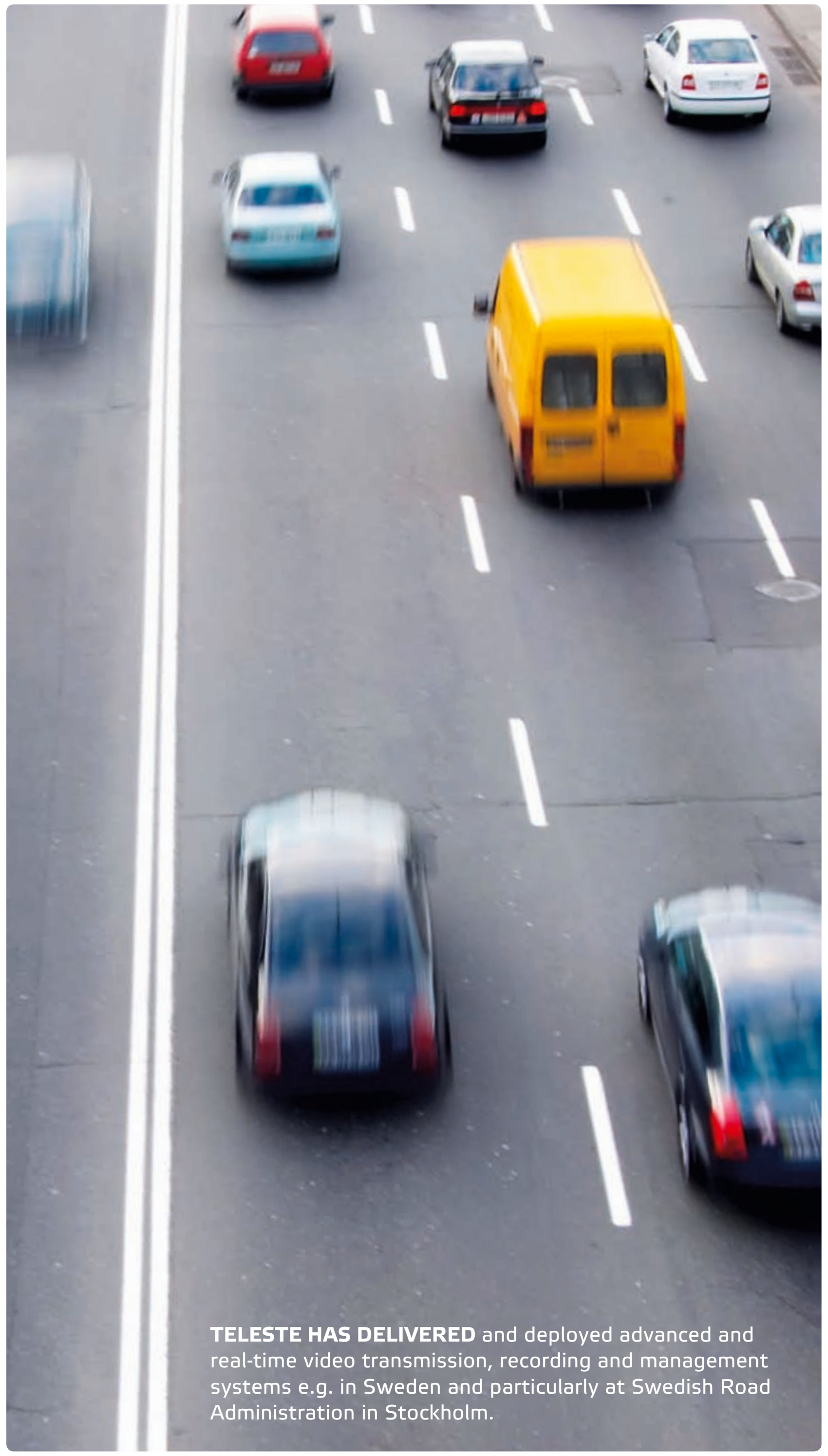
The video surveillance market is in the phase of transitioning from analogue video to all-digital video surveillance systems, built on generic IP networking infrastructure. The focus in R&D has shifted towards application software development, as well as implementing new system level functionality, encompassing both video encoding, recording and client application.

The main areas of partnering for Teleste Video Networks include manufacturers of IP cameras, image analysis technologies as well as wireless transmission. These are new competence areas where Teleste is focusing on adapting the use of such technologies to high-end video surveillance applications, but not investing in the core technologies themselves.

Video encoding standard H.264 is rapidly gaining ground in the video monitoring applications. The VMX video control and recording software by Teleste already support the H.264 standard. This development will be complemented by the launched R&D project to develop field hardened encoders supporting the H.264 standard. Teleste is in favour of the standardisation initiatives in the industry and is committed to launch ONVIF-compatible products in the course of 2010.

The VMX video control and recording software is being developed in two respects. First, the video recording capacity will be increased so that the software can be applied to create the world's most heavy-duty centralised recording systems with top-notch reliability. Second, the software will be made more integration-friendly by adopting, for instance, Web Services technologies in the user interface development.

Video Networks is continuously expanding its network of channel partners in order to address new markets and to maximise our reach to end-users. Our aim is to establish long-term partnerships through promotion of mutually profitable growth. Key development is to win new channel partners with IT or Telecoms system integration background, as the fully digital video surveillance systems will be demanding integration competences from the IT domain.



TELESTE HAS DELIVERED and deployed advanced and real-time video transmission, recording and management systems e.g. in Sweden and particularly at Swedish Road Administration in Stockholm.

Finavia – Helsinki Airport CCTV

Finavia is a state-owned enterprise running 25 airports in Finland and an air navigation system covering the whole of Finland. Helsinki Airport is the largest airport in the country with over 13 million passengers per year and it handles over 90% of Finland's international traffic.

In 2008 Finavia invited 16 companies to a tender to provide them with a CCTV system, which can support multiple different internal (including security, baggage handling system and apron surveillance centers) and external users (e.g. airlines) while keeping in mind the use of video in operational workflow in a large and continuously changing environment.

Teleste started to work on the Helsinki Airport CCTV upgrade in the beginning of 2009 and the project was successfully finished together with the Helsinki Airport's terminal extension. Currently, the system covers over 800 cameras with centralized recording and integration with other operational systems like the baggage handling system.

In the future the system will be extended to meet the airport's growing demands.

Video Management and Recording System to Chicago

The Chicago Transit Authority (CTA) is the second-largest transit agency in the United States. The CTA trains provide approximately 600,000 customer trips each day and serve 144 stations. On an average weekday, 1.6 million rides are taken on the CTA.

Since 2005 Teleste has supplied the CTA with IP video management and camera control system consisting of hardware and software. Today this system covers over 1,200 cameras at the CTA rail stations, and provides operators a graphical map-based user interface to select and view cameras at the CTA Control Centers for daily operations and for example during emergencies and incidents.

As a part of the CTA's on-going Security Camera Initiative, the CTA has awarded a $ 4.36 million contract to Teleste Corporation for a system-wide security camera control and recording system expansion at CTA's 144 rail stations and the CTA Control Center. The contract includes the supply, integration and support of Teleste's VMX video management and network recording system to accommodate nearly 4,000 cameras at completion.

IN 2009 Teleste's personnel grew by 645 new professionals thanks to recruitment and acquisitions taken place in our overseas operations.

Personnel and Environment

We at Teleste believe that a good climate and work motivation affect well-being at work and that, in addition to sending out a positive image of the company and contributing to the willingness to stay of competent employees, a healthy work community is more productive both in terms of quality and quantity.

As a multi-cultural, geographically spread-out company we aim at acting in an environmentally friendly way by reducing the environmental load caused by duty traveling by means of encouraging our personnel to use modern communication facilities.

Personnel

Teleste is an innovative technology group, the expertise and competitive edge of which are based on motivated and professional personnel. At the end of 2009, the number of Teleste's employees stood at 1,260. The corresponding figure of the previous year was 677.

Vision: A flexible, innovative and learning organisation, which supports the corporate strategy.

Mission: The objective with HR is satisfied, committed and knowledgeable personnel.

Solution: Good management, open and participatory work culture as well as functional HR processes.

Priorities in the HR strategy were selected based on the strengths and areas requiring further development identified in Teleste's internal survey conducted in 2008. The survey was carried out by interviewing personnel, supervisors and management as well as by assessing the existing and documented processes, procedures and instructions.

In the light of the findings made in this survey, the strong points of Teleste's personnel policy include openness, respect, support and encouragement for taking responsibility. Personnel and supervisors alike take the view that their contribution is appreciated and recognised. Our open working environment promotes individual efforts for the improvement in one's personal performance as in that of one's colleagues. In the coming years these strengths will be fostered by encouraging and supporting initiatives put forth by the personnel and by making further improvements in the chances for participation.

In terms of development, strategic priority areas in 2009 included HR processes and support for supervisory approach. General guidelines are in place to support the human resources management with descriptions on HRM processes and procedures. Informative meetings and workshops on HRM were set up for supervisors and this communication was given some added weight by electronic messages on any topical issues. At the end of the year supervisors took part in the MBTI personality inventory and the related training designed to support understanding of dissimilarities and promote facilities related to management of individuals and teams alike.

Development of Personnel and Competence

In the beginning of 2009 a renewed instruction and form for appraisal discussions was introduced emphasising personal and team objectives as well as skills derived from there and their development. The needs for development with respect to teams, units and regarding the company as a whole were summarised on the basis of appraisal discussions. These summaries will be used for drawing up training plans for the teams, units and the Group.

In 2009, human resource development was subject to the Group expenditure cutback guidelines, which did allow only limited provision of the traditional training designed to promote transferable skills. The provided training was mainly set up house-internally; it focused on Teleste's products and systems, and was designed to develop in-house operations. This training was implemented unaided by external contributors.

In comparison with the previous years, the number of new competence taken in through direct recruitment decreased significantly. In 2009, 21 office workers were recruited for overseas operations. Moreover, as a result of the made acquisitions the number of personnel in Germany increased by more than 624 persons. In terms of areas of expertise and geographical distribution, the recruitment was carried out in line with Teleste's strategic objectives.

Reward and Encouragement

At Teleste, systems related to payment and encouragement are based on profitability both at the company and personal level. The deployed incentives include systems of bonuses and payment by results as well as those involving share bonus schemes and options. In 2009, for reasons related to the cost-cutting drive, only limited amount of bonuses and additional result-based benefits were paid out.

The entire personnel have contributed to the expenditure cutback in terms of reductions in pay and layoffs.

Well-being at Work

We at Teleste believe that a good climate and work motivation affect well-being at work and that, in addition to sending out a positive image of the company and contributing to the willingness to stay of competent employees, a healthy work community is more productive both in terms of quality and quantity. We plan and develop well-being at work in regular meetings by cooperating, for instance, with the occupational health services. At Teleste, the well-being at work can be seen in terms of low figures for days lost through sickness and long years in service. In 2009, 32 of our staff were celebrating their 10th anniversary at Teleste (compared to 18 in the previous year), whereas 21 were celebrating their 20th year at Teleste's service (10), two had been with us for 30 years (1 in 2008) and one of us had been in the house for no less than 40 years.

Our leisure committee called Vapari is selected annually from amongst the Teleste staff. This body is in charge of organising summer and Christmas parties and various events related to physical exercise from darts competition to football tournament. The company promotes many types of physical activities by the staff through financial support. This support was sustained even in 2009 in spite of the challenging financial circumstances.

Co-operation

Continuous interaction and communication between the personnel and the company is ensured by way of monthly meetings between the representatives of the employer and the employees. Interaction between the management and personnel is also maintained by setting up joint meetings participated by the Management Group and the union representatives. By this means we have managed to create a flexible atmosphere of cooperation, which allowed us to adapt rapidly to the changed market situation.

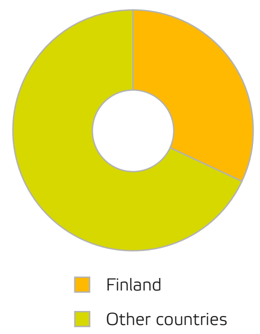
Co-determination negotiations begun at the end of 2008 continued with extended scope in 2009 and concluded on 22 January 2010. These negotiations involved the entire personnel of Teleste Corporation.

In these negotiations an agreement was reached on termination of employment involving 9 office workers and 15 employees in all. In 2009, duration of an average layoff in case of office workers was less than 15%; for employees the similar figure was less than 20%. In autumn 2009, some members of the personnel additionally participated in the wage flexibility system.

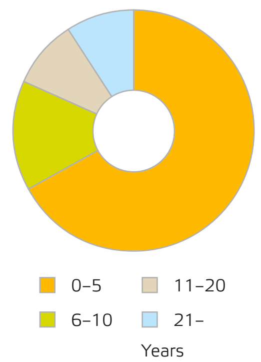
Co-operation with Universities and Third Parties

We have continued co-operation with universities and other educational establishments to promote the image of a positive workplace for the future professionals. This process has taken forms such as research collaboration, patronage, and Teleste's representation in various bodies of universities and educational institutes. This activity is designed to ensure the utilisation of top expertise of the scientific community and the taking into account of Teleste's strategic needs in the learning programs of the relevant educational establishments. Since autumn 2009 Teleste has been represented in the workgroup of Turku Chamber of Commerce. As from the beginning of 2010 the group will continue as the Chamber of Commerce Training and Labour Force Committee.

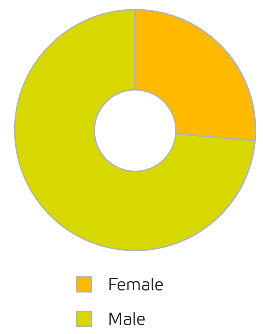
Geographic Distribution



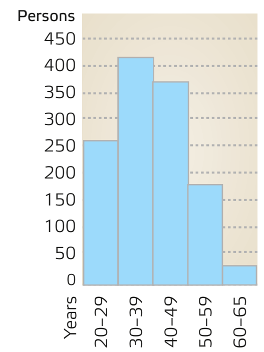
Years of Service



Sex Distribution



Age Distribution



Personnel on December 31	2009	2008	2007	2006	2005
Total	1,260	677	672	621	557
Research and Development	135	172	158	146	127
Operations	964	326	313	282	286
Sales and marketing	115	141	162	159	114
Admin & IT	46	38	39	34	30
Finland	403	452	443	435	408
Other countries	857	225	229	186	149
Female	335	218	226	208	194
Male	925	459	446	413	363

Concern for the Environment

In environmental issues we at Teleste proceed responsibly intending to adopt an overall approach in support of sustainable development. Based on continuous improvement, and in line with our environmental policy, we are committed to the reduction of the environmental burden created by our own operations. Teleste Corporation has received the ISO 14001 Environmental Management System Certificate.

Teleste Environmental Policy:

We consider environmental protection as a strategic choice that is in harmony with Teleste's economic and qualitative objectives.

We recognize the value of environmental responsibility and we are committed to sustainable development, prevention of pollution and reduction of resource consumption.

We comply with relevant environmental legislation, regulations and other requirements to which we subscribe.

Teleste complies with environmental legislation and regulations in all of its operations. In the past few years the electrical and electronics industry has faced some considerable legislative changes. We at Teleste keep a keen eye on developments in different markets and any implications thereof to our operations. Teleste is guided by its environmental policy, which has been communicated to each member of the work community and is subject to regular reviews.

Minor Environmental Impact from Production and Operations

At Teleste, the environmental burden caused by the manufacturing of our physical products is relatively low compared to the impact of the product life-cycle as a whole. Our production is based on the assembly of printed circuit boards and electronic equipment that give rise to no significant discharges. Primary causes of environmental load related to Teleste's operative activities currently include generation of waste, energy consumption and transport. Furthermore, Teleste is a significant producer of software applications the environmental impact of which is very limited.

Teleste aspires to reduce the generation of waste in all its operations. All waste is sorted and most of it is recycled or used for energy. Currently, only a small fraction of the waste ends up as landfill. The amount of hazardous waste is very small and most of it can be recycled further.

Items consuming energy include heating and power for production facilities, testing equipment and office equipment. Our policy concerning procurement of electricity is based on sustainable development and we do our bit for the prevention of climate change. In 2009 the electrical power used by Teleste Corporation in Finland was produced exclusively by means of renewable sources of energy and/or nuclear power with no carbon dioxide emissions burdening the atmosphere. In comparison with the power supply produced on non-renewable sources of energy, environmental load of our company is, as far as this particular issue is concerned, lower.

We aim at reducing the environmental load caused by duty travel by increasing access to modern IT facilities such as teleconferencing.

Instead of commuting by car, we encourage personnel to use bicycle for short daily journeys to work and back. Our annual bicycle competition has inspired participants to leave the car at home. In 2009 71 people took part in it. During the campaign period the participants cycled in total 32,400 km on their bikes.

Minor Environmental Load Caused by Products

At Teleste, management of environmental issues is focused on environmental impact control encompassing the product's life-cycle as a whole. This puts more emphasis on the significance of cooperation with our suppliers, sub-suppliers and customers. Currently, environmental issues form a part of assessment involving suppliers and sub-suppliers, and Teleste requires commitment to continuous improvement in the field of environmental issues.

When it comes to minimising the products' environmental impact, product development provides a tool of great importance. Currently, our final products mainly consist of recyclable materials like metals. Cable network equipment and video surveillance systems represent relatively long-term investments in comparison with, for instance, consumer electronics. Moreover, they are maintainable as well as upgradable, which means that their life-cycle can be extended even more. This is to say that the single most significant environmental aspect related to our products is the power they consume.

Statutory requirements relevant to the electronics industry:	
EU WEEE Directive	WEEE stands for Waste Electronic and Electrical Equipment Governs processing and recycling of disposed of electrical and electronic material.
EU RoHS Directive	RoHS stands for Restriction of the Use of Hazardous Substances Limits the use of certain hazardous substances in electrical and electronic equipment.
China RoHS Legistation	Applies to the same hazardous materials as the EU RoHS. Additionally requirements involving markings to be made on the relevant equipment.
EU Chemical Regulation REACH	REACH = Regulation concerning Registration, Evaluation, Authorisation and Restriction of Chemicals

At Teleste, we also pay particular attention to the end-product packaging and their environmental friendliness. The relevant materials are mainly fibrous and, thus, easily recyclable.

Measures Taken to Reduce the Environmental Impact in 2009

Regarding its operations Teleste has defined long-term environmental objectives, which are subject to annual specification by way of more detailed environmental goals.

In 2009 these measures involved mainly results obtained through the general expenditure cutback program and the environmental benefits achieved in the context of the new construction for Teleste's production. In 2009 our productive activity in Finland was centralised so that the plant in Nousiainen was relinquished and the relevant production relocated to the new factory building forming a part of the Littoinen plant.

As a consequence of this centralisation, transports between different plants will decrease significantly in the future. In addition, modern technology has been used in the new factory building, and compared to the previous situation this will create some positive environmental effects in itself. One example of the technology used in the new construction is its recovery of heat. Changes have been made to the warehouse facilities as well: warehouses will be merged and temperature in the new hall will be considerably lower compared with the old one. All these measures will contribute by decreasing the need for heat energy in the future.

One priority in the 2009 R&D was to reduce the power consumption of the products. Results from the made improvements can be expected after the relevant items have been introduced to the market in 2010.

In 2009, we succeeded in bringing down air travel between different offices even more. This was achieved in part by the general cost-saving program and our active use of electronic communications. In terms of air travel, our CO^2 emissions were reduced by 54% over 2008.

Teleste Environmental Objectives:
Promotion of product-driven environmental thinking
Reduction in the amount of waste
Reduction in energy consumption
Continuous environmental improvement in logistics and transport
Promotion of environmentally conscious thinking in supply chain
Increasing environmental awareness among staff

Highlights 2009:
New more energy-efficient factory building
Less emissions burdening the environment thanks to the improved logistical solutions achieved as a consequence of amalgamating plants
More energy-efficient products make up a priority in our R&D efforts
CO^2 emissions from air travel were reduced by 54%

IN ADDITION TO A WIDE RANGE OF CHANNELS, DISTRIBUTION OF TV BROADCASTING OVER THE IP NETWORK also enables the use of various additional Internet services by means of the TV set. The Teleste MyCast IPTV service platform allows the operators to provide their customers with an opportunity to check on their email or to follow the latest news headlines while watching the regular TV programming.

Corporate Governance Statement

This Corporate Governance Statement report has been drawn up on the basis of Chapter 2 Section 6 of the Securities Markets Act and of the recommendation 51 specified in the Finnish Corporate Governance Code 2008 available in the Securities Market Association website at www.cgfinland.fi.

CORPORATE GOVERNANCE

Teleste Corporation aims at organising its management in a consistent and functional manner. The governance is based on the Finnish Companies Act and Teleste's Articles of Association. Teleste shares are listed on the NASDAQ OMX Helsinki Ltd (hereafter Stock Exchange).

Teleste abides by the Securities Market Act, rules and regulations for the public companies issued by the Stock Exchange (including the Finnish Corporate Governance Code), and rules and regulations issued by the Financial Supervisory Authority. Since 1 March 2000 Teleste complies with the insider guidelines issued by the Board of Directors of the Stock Exchange in their valid form at any given time. These insider guidelines are complemented by Teleste's internal guidelines. The company has confirmed the set of applied values.

Annual General Meeting

The Annual General Meeting (hereafter AGM) of Teleste Corporation is the highest decision-making body of the company, it is held at least once a year by the end of June. The Annual General Meeting is held in Helsinki in the customary manner, and it decides on any specified tasks in compliance with the Finnish Companies Act.

Issues decided by the AGM include approval of the financial statement, allocation of profit shown in the balance sheet, discharge from liability of the Board of Directors and the Managing Director, and the election of the members of the Board of Directors and the auditor.

Responsibilities of the AGM also include making amendments to the Articles of Association, decision-making concerning share issues, granting of entitlements to options and other special rights, procurement and redeeming of company's own shares and reduction of share capital.

Notice of the Annual General Meeting shall be announced in a newspaper as specified by the Board of Directors, or verifiably delivered, in writing, to each shareholder using the address entered into the register of shareholders, no earlier than two months and no later than 17 days prior to the meeting. Since Teleste complies with the recommendation included in the Finnish Corporate Governance Code, it issues the notice no later than 21 days prior to the AGM hereby also observing the regulations of the Companies Act.

The Board of Directors

Rules of Procedure
It is the function of Teleste Corporation's Board of Directors to carry out any administrative duties in accordance with the law, statutory regulations, Articles of Association and decisions taken by the General Meeting. The operating procedures and main duties of the Board of Directors have been specified in the Board's Rules of Procedure.

The Board shall resolve any matters of great importance in terms of scope and magnitude to the Group's operation. The Board oversees and assesses the operation of the CEO and the Management Group. The Board decides on the criteria of the company's compensation system and makes decisions on any other far-reaching issues related to personnel.

In line with the view adopted by the Board of Teleste Corporation, the proceedings of the Board will be carried out in an optimum way without formation of separate committees but by involving the entire Board in the so-called committee proceedings. The Board shall conduct an annual evaluation of its performance and working methods.

The Board of Teleste Corporation has laid down rules of procedure according to which the essential duties of the Board include the following:
- provision for the company business strategy and its revision at regular intervals,
- approval of annual budgets and supervision of their implementation,
- decisions concerning major investments and divestments,
- handling and approval of annual financial statements and interim reports,
- appointment of the President and CEO and discharging him from his duties and specification of his responsibilities and conditions of work,
- decisions concerning incentive and bonus systems involving management as well as staff and presentation of any related proposals to the General Meeting as required,
- annual revision of any essential risks related to the company operation and management thereof,
- laying down the company values and policies.

Election and Term of Office of the Board of Directors
The Chairman and other members of the Board of Directors are elected by the Annual General Meeting on an annual basis. According to the Articles of Association the Board of Directors shall have a minimum of three and a maximum of eight members. In its meeting held on 7 April 2009, the Annual General Meeting elected six members to the Board of Directors of Teleste Corporation for a term that expires at the closing of the first Annual General Meeting following the election.

The Teleste Corporation Board of Directors:
- Marjo Miettinen, Chairman,
  b. 1957, M.Sc. (Ed.), EM Group Oy, CEO
- Pertti Ervi, Member of the Board,
  b. 1957, B.Sc. (Eng.), Independent Consultant
- Tero Laaksonen, Member of the Board,
  b. 1946, M.Sc. (Math.), Professional Board Member
- Pertti Raatikainen, Member of the Board,
  b. 1956, Dr. Sc. (Technology), VTT ICT, Director Technology
- Kai Telanne, Member of the Board,
  b. 1964, M.Sc. (Econ.), Alma Media Corporation, CEO
- Petteri Walldén, Member of the Board,
  b. 1948, M.Sc. (Eng.), Alteams Oy, CEO (until 1/2010)

The Members of the Board are not employed by the company, and are in line with the issued Finnish recommendations independent of the company and any significant shareholders of it with the exception of Chairman Marjo Miettinen, who is CEO of EM Group Oy, a significant shareholder.

In 2009, the Board of Directors of Teleste Corporation had ten meetings. The attendance of the Directors at the Board meetings was 98%. In addition to the Members of the Board the meetings were attended by the CEO, the deputy CEO and concerning interim reports also the CFO and persons invited separately as required.

Remuneration for the Members of the Board
The remuneration of the Members of the Board of Directors is decided on by the Annual General Meeting. On 7 April 2009 the AGM decided that the Chairman of the Board be paid annually EUR 40,000 and each Member will receive EUR 25,000 a year. Attendance allowance, which is paid separately, stands at EUR 250 per meeting. Remuneration for the Members of the Board will be paid so that 40% of the specified annual amount will be company shares and the rest will be remitted in money.

Salaries, remuneration and other benefits paid in 2009 to the Board of Directors were as follows:
- Marjo Miettinen, EUR 37,500 including 3,900 Teleste shares
- Pertti Ervi, EUR 24,000 including 2,437 Teleste shares
- Tero Laaksonen EUR 24,250 including 2,437 Teleste shares
- Pertti Raatikainen, EUR 24,500 including 2,437 Teleste shares
- Kai Telanne, EUR 24,750 including 2,437 Teleste shares
- Petteri Walldén, EUR 24,000 including 2,437 Teleste shares

- Tapio Hintikka, Member of the Board until 7 April 2009, EUR 500
- Timo Toivila, Member of the Board until 7 April 2009, EUR 500
- Pekka Vennamo, Member of the Board until 7 April 2009, EUR 500

President and CEO

The scope of duties of the Teleste Corporation CEO is determined by the law, the Articles of Association and instructions issued by the Board. Detailed terms of employment of the CEO are specified in a separate contract subject to the Board approval. CEO is not a member of Teleste's Board of Directors.

The current CEO of Teleste, Jukka Rinnevaara, b. 1961, M.Sc. (Econ.), assumed his present responsibilities on 1 November 2002. Salary, fees and other benefits received by the CEO are determined by the company Board of Directors. Salary, remuneration and other benefits paid in 2009 to the CEO of Teleste Corporation totalled EUR 358,931.

The contractual age of retirement of CEO Jukka Rinnevaara is 60. The insurance premium of the voluntary retirement insurance policy of the Managing Director was EUR 71,000, which amount is not included in the paid salary and remuneration. As to the contract of CEO Rinnevaara, his term of notice has been specified as six (6) months in case the President and CEO decides to withdraw, and eighteen (18) months should the contract be terminated by the company.

Management Group

The Teleste Corporation Management Group is chaired by the CEO who reports to the Board of Directors. Members of the Management Group consist of the directors of Teleste Corporation business sectors and the group management. The Management Group handles the issues that concern managing the company, such as issues related to strategy, budget, interim reports and corporation deals, and prepares investments for approval by the Board of Directors.

The Management Group meets once a month or at other times, when necessary.

Salary for all Members of the Management Group consists of a fixed basic salary and a results-based bonus. The amount of results-based bonus is determined by the company performance, the business area in question and other key operative objectives. The Board is in charge of bonus systems applied to the Management Group. For details related to option specifics see Teleste's Annual Report 2009, Notes section: Share-based payments. For holdings and stock options of the President and CEO and the Management Group see Notes section: Related party transactions.

Auditing and Revisions

The term of office of Teleste Corporation auditor expires at the closing of the first Annual General Meeting following the election. On 7 April 2009 the Teleste AGM selected KPMG Oy Ab as the company auditor and decided that the auditor's fee will be paid as invoiced. The company's chief auditor is Esa Kailiala, KHT auditor (authorised public accountant).

In addition to their statutory duties the auditors report to the Teleste Corporation Board of Directors and attend the Board meeting at least once a year.

In 2009, Teleste Corporation's auditing expenses totalled EUR 188,000 in which the share of KPMG was EUR 165,000. Moreover, auditing units of KPMG have supplied Teleste Group companies with other consultation worth total EUR 66,000 and other than KPMG auditors for EUR 37,000.

Insider Register

Since 1 March 2000 Teleste complies with the insider guidelines issued by the Board of Directors of NASDAQ OMX Helsinki Oy in their valid form at any given time. These insider guidelines have been complemented by Teleste's internal guidelines.

Membership in the Teleste Corporation permanent inner circle is based on position. Thus, the group consists of members of the Board of Directors, CEO and the auditors. Furthermore, the extended inner register includes members of the Management Group and the CEO's assistant.

Moreover, insider rules and regulations include provisions concerning temporary commercial activities. Project-specific insider register includes personnel who, based on their position, have access to company-related information, which upon publication may affect the value formation of the company's share. The CEO will assess, on a case-by-case basis, whether an issue or arrangement under preparation will be defined as a project.

It is recommendable for those included in the insider register to time any intended trading involving company shares and derivatives in such a manner that optimum information affecting the value of the shares is available in the market at the time. The permanent members of Teleste Corporation's insider register are obliged by the so-called Silent Period during which trading on company shares is banned completely for 14 days preceding publication of interim reports and the financial statements. During the specified period Teleste Corporation will not engage in any meetings with investors or analysts and no Teleste Group representative is allowed to comment upon company results.

The company insider administration is included in the SIRE system of Euroclear Finland Oy.

INTERNAL SUPERVISION, RISK MANAGEMENT AND INTERNAL AUDITING

Internal Supervision

Teleste's internal supervision is designed to support the implementation of the strategy and to ensure the achievement of the specified goals, compliance with the regulations as well as reliability and correctness of the conducted financial reporting. Internal supervision is based on Teleste's values and corporate culture as well as on mutually supporting structures and processes on the Group and operational levels. Management of the Group and the business units monitor the internal supervision as part of their normal managerial duties while the Board evaluates and ensures its correctness and efficiency. Supported by Teleste's centralised controller function, management of the relevant business unit in both of our business units answers for the compliance with the internal supervision principles on every level of the unit in question.

Risk Management

Group risk policy with the relevant principles and objectives are subject to approval by the Teleste Board of Directors. Risk management is based on the specified business objectives of the Teleste Group. Risk management aims to ensure achievement of operational goals so that essential risks affecting the business operation and posing a threat to its objectives are identified and that these will be monitored and valued at all times. The risk management methods are specified and the implementation of risk prevention is attempted through the same. Moreover, the risks that for economic or other reasons are reasonable to insure, are aimed to be covered.

In risk management, the regular evaluation of most significant risks and exercising control in a cost-effective manner are emphasised. Risk management supports the business activity and generates added value, assisting decision-making for the management in charge of business. Part of the risk management system is monthly reporting by which the development of the orders received, turnover, order backlog, deliveries, trade receivables and cash flow is monitored and, through the same, the profit development of the entire Teleste Group.

Teleste's risk management system covers, for instance, the following classes of risk:
- operational prerequisites
- personnel risks
- property and business interruption risks
- interest groups
- economic risks
- strategic risks

Internal Auditing

Internal auditing is in charge of the internal auditing of Teleste Corporation and its subsidiaries. The results are reported to the appointed member of the Board. The internal auditing evaluates business operations, any related processes, their involved risks and efficiency of the conducted supervision while making suggestions for developmental measures. These activities are performed in cooperation with controllers and other relevant bodies as needed. Furthermore, the internal auditing carries out any special assignments issued by the Management. The internal auditing covers all levels of the organisation. Internal auditing is reported to the Teleste Corporation Board of Directors twice a year. External auditor participates in the selection of the priorities for the internal auditing.

Key Features of the Internal Auditing and Risk Management Systems Related to the Financial Reporting Process

Internal supervision and risk management involved in the financial reporting process are based on the general principles of internal supervision and risk management described above. CFO answers for the systems involved in the internal supervision and risk management related to the financial reporting process.

Internal supervision related to the financial reporting process has been created by describing the reporting process, surveying any relevant risks and by defining the control points on the basis of the conducted risk assessment. Results from the risk and control assessment have been reported to the Board. The entire reporting process from the accounting by the subsidiaries to monthly, quarterly and annual reporting is covered by these controls. There are inbuilt controls in the reporting systems, or they can involve, for instance, matching, inspections conducted by the Management or specified procedures or policies. CFO is responsible for it that for each control there is a separately defined person in charge who answers for the implementation and efficiency of the control in question.

Standards for the financial reporting are specified in the Group Accounting Manual. Financial reports due for publishing will be processed by the Management Group and the Board prior to their publication. Correctness of the external annual financial reporting is verified by the External auditor.

Marjo Miettinen

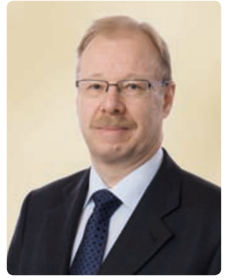
M.Sc. (Ed.), born in 1957
Chairman of the Board 7.4.2009–
EM Group Oy is a significant
shareholder of Teleste

Principal occupation:
EM Group Oy, CEO 2006–

Primary working experience:
Ensto Oy, Chairman of the Board 2002–2006
Ensto Oy, managerial positions 1989–2001

Other elected positions of trust:
Componenta Oyj, Member of the Board 2004–
Confederation of Finnish Industries, Member of the Board 2007–
Efla Oy, Chairman of the Board 2007–
EM Group Oy, Member of the Board 2005–
Ensto Oy, Member of the Board 1999–
Technology Industries of Finland, Member of the Board 2005–

Pertti Raatikainen



Dr. Sc. (Technology), born in 1956
Member of the Board since 2003–
Independent of Teleste and its
significant shareholders

Principal occupation:
VTT ICT, Director Technology 2009–

Primary working experience:
VTT Information Technology, Research professor, 1998–2008
Helsinki University of Technology, Docent 2002–
University of Jyväskylä, Docent 1998–
Helsinki University of Technology professor (fixed term) 1997

Pertti Ervi

B.Sc. (Eng.), born in 1957
Member of the Board 7.4.2009–
Independent of Teleste and its
significant shareholders

Principal occupation:
Independent Consultant

Primary working experience:
Computer 2000, Co-President until 2000
Computer 2000 Finland Oy, MD until 1995

Other elected positions of trust:
Digium Oy, Chairman of the Board 2009–
Efecte Oy, Member of the Board 2008–
F-Secure, Member of the Board and Chairman of the Audit
Committee 2006–
Forte Groupservices Oy, Member of the Board 2008–
Forte Netservices Oy, Member of the Board 2008–
Inventure Oy, Chairman of the Board 2005–
Ixonos Plc, Member of the Board 2009–
Nevtor Oy, Chairman of the Board 2008–

Kai Telanne

M.Sc. (Econ.), born in 1964
Board Member since 2008–
Independent of Teleste and its
significant shareholders

Principal occupation:
Alma Media Corporation, CEO 2005–

Primary working experience:
Kustannus Oy Aamulehti, Managing Director 2001–2005
Kustannus Oy Aamulehti, Deputy MD 2000–2001

Other elected positions of trust:
Confederation of Finnish Industries, Member of the Board 2010–
Federation of the Finnish Media Industry, Chairman of the Board 2007–
Tampereen Lääkärikeskus Oy (Tampere Private Clinic),
Member of the Board 2009–
The Central Chamber of Commerce of Finland,
Member of the Board 2007–
The Finnish News Agency (STT), Chairman of the Board 2008–
Varma Mutual Pension Insurance Company, Member of the Board 2009–

Tero Laaksonen

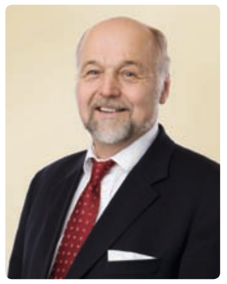
M.Sc. (Math.), born in 1946
Member of the Board 1999–
Independent of Teleste and its
significant shareholders

Principal occupation:
Professional Board Member

Primary working experience:
Comptel Corporation, CEO 2002–2004
Telia Finland Oy, CEO 1998–2001
Nokia Telecommunication Oy, SVP 1995–1998

Other elected positions of trust:
Ixonos Plc, Chairman of the Board 2005–
Tieto-X Plc, Member of the Board 2004–2005,
Chairman of the Board 2005–

Petteri Walldén



M.Sc. (Eng.), born in 1948
Member of the Board 7.4.2009–
Independent of Teleste and its
significant shareholders

Principal occupation:
M.Sc. (Eng.)

Primary working experience:
Alteams Oy, CEO 2007–1/2010
Onninen Oy, CEO 2001–2005
Ensto Oy, CEO 1996–2001
Nokia Kaapeli Oy, CEO 1990–1996
Sako Oy, CEO 1987–1990

Other elected positions of trust:
Comptel Corporation, Member of the Board 2009–
Empower Oy, Member of the Board 2007–
eQ Bank Ltd, Member of the Board 2005–
Kuusakoski Group Oy, Member of the Board 2007–
Nokian Tyres plc, Chairman of the Board 2006–
Tikkurila Oy, Member of the Board 2008–

Jukka Rinnevaara

M.Sc. (Econ.), born in 1961
President and CEO

Joined Teleste in 2002

Primary working experience:
ABB Building Systems, Group Senior
Vice President 2001–2002
ABB Installaatiot Oy, President
1999–2001

Other elected positions of trust:
Salcomp Plc, Member of the Board 2009–
Ventilation Holding Finland Oy, Member of the Board 2008–

Hanno Narjus

M.Sc. (Econ.), born in 1962
Video Solutios and Access Networks,
Senior Vice President

Joined Teleste in 2006

Primary working experience:
Nokia Corporation, Various
managerial positions 1996–2006
Teleste Corporation, Director, Sales/
Continental Europe 1989–1996

Johan Slotte

LL.M, EMBA, born in 1959
Deputy CEO

Joined Teleste in 1999

Primary working experience:
Uponor Poland, Managing Director
1995–1999

Markus Mattila

M.Sc. (Eng.), born in 1968
Operations, Senior Vice President

Joined Teleste on Feb. 4, 2008

Primary working experience:
Nokia Mobile Phones/Nokia
Corporation, Manager and Director
positions in Operations, Logistics and
Sourcing 1993–2008

Erja Saarikoski

Business school graduate, born in 1953
CFO

Joined Teleste in 1984

Esko Myllylä

B.Sc. (Eng.), CBA, born in 1966
Research and Development, CTO

Joined Teleste in 1994

Juha Järvenreuna

M.Sc. (Eng.), born in 1964
Network Services,
Senior Vice President

Joined Teleste in 2004

Primary working experience:
Nokia Networks, Quality Director
2003–2004
Teleste Corporation, Product
Operations, Director 1998–2003

Financial Statements 1.1.–31.12.2009

Report of the Board of Directors

Founded in 1954, Teleste is a technology company currently running the business units of Broadband Cable Networks and Video Networks. In line with its strategy, Teleste continues to focus on the chosen product and technology segments as well services business.

Business Description and Overview

In the year under review, the services offered by Teleste grew significantly especially in Germany. Caution shown by our clientele still affected the business environment of Teleste's products and systems so our cost structure was adapted to accommodate the prevailing market situation.

Investments increased significantly amounting to EUR 25.2 (3.9) million. Investments in services business made in line with the specified strategy stood at EUR 17.1 million including the German acquisitions and the estimated additional contract price related thereto.

Net Sales and Profitability

Teleste's net sales totaled EUR 141.7 (108.7) million, an increase of 30.3% over the previous year. Owing to the general tight situation in the financial market, our main customers, i.e. the European cable operators, postponed maintenance investments on their networks. Increased net sales is attributable to the investments in the provision of services by the Broadband Cable Networks business area in Germany.

Operating profit stood at EUR 2.5 (5.6) million making 1.8% (5.2%) of the net sales. This year-on-year weakening in the operating profit was caused by the significant decline (EUR –29.4 million) in product and system deliveries by the Broadband Cable Networks business area and the impairment loss of EUR 0.8 million made in the Video Networks business area. Cost structure adaptation involving our product and system solutions brought in year-on-year savings of about EUR 7.5 million. Other income increased mostly due to profit from one-off sales of fixed asset items.

Year-on-year orders received by the Group improved by 27.3% standing at EUR 151.0 (118.6) million.

Profit after financial items totaled EUR 1.4 (5.1) million while the net profit equaled EUR 0.4 (5.5) million. Net profit for the year of comparison includes a tax rebate of EUR 1.3 million involving deductibility of specific items from 2004 to 2006. Undiluted result per share for the Group stood at EUR 0.02 (EUR 0.32). Return on capital employed amounted to 3.3% (10.4%) and return on equity was 0.9% (11.8%).

Broadband Cable Networks

Along with equipment and systems Broadband Cable Networks supplies its main clientele consisting of cable operators with an increasing amount of network maintenance and planning services. The relevant products and systems involve construction of transfer networks and signal processing. Product deliveries include individual pieces of equipment and turnkey networks alike.

In Europe – the business unit's main market area – Broadband Cable Networks has 28 own sales offices supported by a number of retail and integration partners. Outside Europe, Broadband Cable Networks has offices of its own located in China and India. The services companies acquired in January and July 2009 significantly strengthen the provision of services in Germany.

R&D efforts of the business unit were particularly focused on the Internet Protocol based video processing system (Luminato product range). Our product development also included work on the new generation amplifier technology (the Access product range) and the optical transfer system for HFC networks (the HDO product range).

Orders received by Broadband Cable Networks stood at EUR 131.8 (101.4) million. Year-on-year orders received of products and systems decreased by 35.8% standing at EUR 65.3 (101.4) million. Orders received by the German services amounted to EUR 66.5 million.

Year-on-year net sales grew by 35.6% (–14.4%) standing at EUR 125.5 (92.6) million. In terms of net sales, the German services business accounted for EUR 62.3 million. Net sales in products and systems for the business area decreased by 31.7% standing at EUR 63.2 (92.6) million.

Operating profit stood at EUR 2.9 (6.1) million making 2.3% (6.6%) of the net sales. Operating profit decreased clearly from the year of comparison owing to decline in net sales of products and systems.

Video Networks

Primary clientele of Video Networks includes public sector organizations and system integrators. The business area is specializing in high-quality video surveillance transfer and management systems carrying real-time video, audio and data.

Product development conducted by Video Networks focused particularly on the advancement of video surveillance management system VMX and the specification for the video surveillance transfer system based on the video encoding standard H.264.

The business has seven sales offices in Europe with two overseas, in the United States and Australia, more specifically.

Orders received by Video Networks amounted to EUR 19.2 (17.2) million. Net sales amounted to EUR 16.1 (16.1) million. Operating profit of EUR –0.3 (–0.5) million includes an impairment loss of EUR 0.8 million.

R&D and Investments

R&D expenditure for the period under review totaled EUR 10.8 (13.5) million making 7.6% (12.4%) of net sales. The decrease in R&D expenditure (EUR 2.7 million) was mainly due to cost adaptation measures involving personnel expenses. Teleste's product development expenses mainly involved products and systems of our business areas, and in their net sales the product development expenses accounted for 13.6% (12.4%). In April 2009, 23 persons moved from R&D to be employed by Cybercom Plenware. This solution supports the implementation of our business growth strategy, enables focusing on our core business and provides flexibility with regard to R&D personnel resources.

The most significant R&D effort involved further development of the video processing system based on the Internet Protocol (the Luminato product range). Our R&D efforts also included the new generation amplifier technology (the Access product range), the optical transfer system for HFC networks (the HDO product range) and the video surveillance management system (the VMX product range). Specification of the video surveillance transfer system based on the advanced video encoding (H.264) standard and the choice of partner for the implementation stage were brought to the conclusion.

Some 60% (60%) of product development expenses involved further development of product platforms currently in production, maintenance, and customer-specific product applications. Out of the R&D expenses, EUR 1.6 (2.5) million were activated mainly for the Luminato video processing system. Depreciation on the activated R&D expenses amounted to EUR 2.5 (2.2) million.

At the end of the financial period, 10% (25%/2008, 23%/2007) of the Group personnel were working in R&D related duties. A number of Teleste's projects involved co-operation with Finnish universities and research institutes.

Investments for the period under review totaled EUR 25.2 (3.9) million making 17.8% (3.6%) of the net sales. Investments made to increase the German services business amounted to EUR 17.1 million, and this figure includes the estimated additional contract price. Investments include the additional contract price of EUR 3.4 million related to the DINH Telecom company acquisition (Teleste purchased the capital stock of DINH Telecom in 2007). Product development investments totaled EUR 1.6 (2.5) million. In Finland a premises expansion investment of EUR 3.0 million was carried out. At the end of 2009, amalgamation of production-related operations was launched in Finland, and we believe this will improve the cost-efficiency of our production in 2010. As to investments for the period, EUR 0.2 (0.2) million, was implemented by means of financial leasing.

Financing

Liquidity of the Group remained good throughout the year. Operating cash flow stood at EUR 9.8 (9.7) million. Accounts receivable caused no essential credit losses. At the end of the period, the amount of unused binding stand-by credits amounted to EUR 19.5 (31.0) million. The current binding stand-by credits of EUR 40.0 million run till November 2013. The Group's equity ratio was 43.6% (61.7%) and gearing 22.0% (3.6%). Interest bearing debt on 31 December 2009 was EUR 22.8 (11.0) million.

Personnel and Organisation

In 2009, the Group employed an average of 1,103 people (702/2008, 681/2007). At the year-end, the figure totaled 1,260 (677/2008, 672/2007) of which 68% (33%/2008, 34%/2007) were stationed overseas. In the year of comparison the Group had, on average, 29 hired personnel. Employees stationed outside Europe accounted for less than 5% of the Group's personnel. Expenditure on employee benefits amounted to EUR 44.6 (33.2/2008, 31.5/2007) million.

As part of the cost-structure adaptation measures required by the general market situation, the Finnish personnel have been on a rotating layoff. In 2009, a co-determination procedure was conducted in the parent company as a result of which 24 persons were given notice. Our sales organisation overseas was also streamlined.

Group Structure

In line with its strategy, Teleste strengthened the offering of services provided by the Broadband Cable Networks business area. On 1 January 2009 three companies were acquired in Germany: Antel GmbH, MKS Companies ja Young-Net GmbH, followed by acquisition of AVC Systemhaus GmbH on 1 July 2009. At the signing of contract the total acquisition price amounted to EUR 11.0 million; the contract price may increase depending on the development of profitability of the acquired companies. The acquisitions were paid for in cash and financed through a bank loan. On 1 January Teleste Services GmbH with 100% holding of the acquired companies was set up in Germany. With these acquisitions Teleste's holding in the German Cableway AG increased up to 75%. Result equal to Teleste's holding in Cableway AG is presented under Financial Items for the period 1 January to 30 June; Cableway is consolidated as a subsidiary company as of 1 July 2009. The effect of these on Teleste's net sales for 2009 was EUR 62.3 million and on profit EUR 1.4 million, respectively.

Parent company Teleste has branch offices in Australia, China, Denmark, France, the Netherlands, and Spain with subsidiaries in 12 countries outside Finland.

Essential Risks of Business Areas

Allocating resources to, and the technical implementation of, Teleste's comprehensive integrated deliveries pose a challenge involving, therefore, also reasonable risks. The present difficult market situation may delay the implementation of investment plans among the clientele. The way customers proceed with their investments follows a typically cyclic pattern. Furthermore, the prevailing circumstances may undermine the solvency of some customers. In compliance with its strategy, Teleste intends to smoothen this cyclic pattern in its net sales by increasing the services business.

Correct technological choices and their timing are vital for the success of our business areas. It is equally important to take into account any developments in the market such as consolidations taking place among the clientele and competition. Much of Teleste's competition comes from the USA and, therefore, strong euro up against the US dollar erodes our competitiveness. Teleste hedges against short-term currency exposure by means of forward contracts.

The Board of Directors annually reviews any essential risks related to the company operation and the management thereof. Risk management has been integrated into the strategic and operative practices of our business areas. Risks and their probability are reported to the Board with regular monthly reports.

The company has covered risks involving damage to operative functions of the business areas mainly by means of insurance policies. These insurances do not include credit loss risks. No such risks materialized in 2009, and no legal proceedings or judicial procedures were pending that would have had any essential significance for the Group operation.

Decisions by the Annual General Meeting

On 7 April 2009, the Annual General Meeting (AGM) confirmed the financial statements for 2008 and discharged the Board and the CEO from liability for the financial period. The AGM confirmed the Board's proposed dividend of EUR 0.12 per share. The dividend was paid out on 21 April 2009.

The AGM decided that the Board of Directors shall consist of six members. Marjo Miettinen was elected Chairman of the Board with Pertti Ervi and Petteri Walldén as new Board members. Tero Laaksonen, Pertti Raatikainen and Kai Telanne were re-elected members of the Board.

Authorised Public Accountants KPMG Oy Ab continue as the auditor until the next AGM. Accountant authorised by the Central Chamber of Commerce of Finland Esa Kailiala was chosen auditor-in-charge.

The AGM authorised the Board to acquire the maximum of 900,000 of the company's own shares and to convey the maximum of 1,744,721 company's own shares. The AGM also authorised the company Board to issue 10,000,000 new shares. Pursuant to the special rights provided by the company, the maximum number of significant shares is 5,000,000; these special rights are included in the authorisation to issue 10,000,000 new shares.

The authorizations are valid until the Annual General Meeting of Shareholders for year 2010.

Shares and Changes in Share Capital

At the end of 2009, EM Group Oy was the largest single shareholder with a holding of 20.32%.

As to the company share price in 2009, the low was EUR 2.25 (1.90) and the high EUR 4.30 (7.49). Closing price at the end of the year stood at EUR 3.72 (2.24). According to the Finnish Central Security Depository the number of shareholders at the end of the period under review was 5,440 (5,532). Foreign ownership accounted for 9.69% (11.18%). Trading with Teleste share at NASDAQ OMX Helsinki Ltd amounted to EUR 28.5 (51.1) million. In 2009, 7.8 (11.5) million shares standing for 44.0% (64.6%) of the share capital were traded at NASDAQ OMX Helsinki Ltd.

In May 2008, the Board of the company decided to launch a repurchase program of own shares based on authorisation granted by the Annual General Meeting. In compliance with the Board's decision, in the review period 78,530 (421,470) shares were purchased out of the total amount of 500,000; the purchase price averaged EUR 3.36 (3.29) per share. At the end of December, the number of own shares in the Group possession stood at 379,985 (766,191) out of which parent company Teleste Corporation had none (0) and the subsidiary Teleste Incentive Oy had 379,985 shares, respectively. At the end of the period, the Group's holding of the total amount of shares amounted to 2.13% (4.3%). On 10 June 2009, the number of company's own shares conveyed by authorisation granted by the Annual General Meeting of 2009 for the additional purchase price of DINH Telecom acquired on 2 April 2007 was 464,736, making 2.61% of the share capital.

Flaggings

With stock purchases performed on 14 January 2009, holding by EM Group Oy of the total number of shares and votes of Teleste Corporation stands at 5.04%.

With stock purchases performed on 29 January 2009, holding by EM Group Oy of the total number of shares and votes of Teleste Corporation stands at 10.57%.

With stock purchases performed on 10 February 2009, holding by Reima Kuisla of the total number of shares and votes of Teleste Corporation stands at 5.59%.

With stock purchases performed on 25 February 2009, holding by Reima Kuisla of the total number of shares and votes of Teleste Corporation stands at 0.00%.

With stock purchases performed on 25 February 2009, holding by EM Group Oy of the total number of shares and votes of Teleste Corporation stands at 20.32%.

At the balance sheet date, the registered share capital of Teleste stood at EUR 6,966,932.80 divided in 17,805,590 shares.

Ownership by Management and Members of the Governing Bodies on 31 December 2009

On the balance sheet date, CEO and the Members of the Board owned 108,695 Teleste Corporation shares equaling to 0.61% of all shares and votes. Based on stock option rights, CEO was entitled to subscribe 160,000 shares. On the balance sheet date, the ownership including rights of options by the CEO and the Board amounted to 268,695 shares, which is equal to 1.42% of all shares and votes.

Based on the rights of options, the company amount of shares may increase by 1,140,000 shares equaling to 6.02% of all shares and votes.

Teleste Corporation complies with the Finnish Corporate Governance Code, which was issued by the Securities Market Association on 20 October 2008, and entered into force on 1 January 2009. The Corporate Governance Statement will be issued separately from the company's annual report, and it will be available on Teleste's website under Investors.

Events after the End of the Period

In Finland, the co-determination procedure initiated in December 2008 was concluded on 22 January 2010. Adaptation measures agreed in the co-determination procedure continued in Finland until the end of 2010.

A program involving renewal of processes in Broadband Cable Networks' German services business has been launched, and this is designed to improve the cost-efficiency. For this reason we estimate that the number of personnel operating in services business in Germany will decrease by less than 10% out of the current 624 persons.

Outlook for 2010

In Teleste's estimation, the offering of services to private households by the operator clientele of Broadband Cable Networks will remain relatively stable even in an uncertain market situation. The demand for network services provided by Broadband Cable Networks will remain stable, but owing to the difficult situation in the financial market the cable operators continue to be cautious with regard to their network investments.

In our view, deliveries involving product solutions offered by Broadband Cable Networks in 2010 will remain at least on the same level with 2009. Net sales of the business area will grow owing to the increased offering of services. However, the exceptionally cold winter in Europe makes network installation works difficult in Q1. Moreover, significant sporting events scheduled for the first half of 2010 may delay the upgrading of networks.

As for the markets of the Video Networks business area, increased needs for security and more effective traffic infra-structure allow for a cautious growth in net sales in 2010.

Teleste is confident about keeping its strong market position in the core markets and continues to implement its strategy in a goal-directed manner while adapting its cost structure as required by the economic situation. In an uncertain market situation, the recent strategic investments made in the services business enable the net sales to grow from the 2009 level. Bearing in mind increased net sales and the adaptation of costs we estimate the operating profit to improve over 2009.

Owing to the offering of services by the Group, changes will be made to the segment reporting as from the beginning of 2010. The new segments include Video and Broadband Solutions with the emphasis on products, and Network Services focusing on the services business. The product and system solutions consisting of Broadband Cable Networks and Video Networks will be combined under the Video and Broadband Solutions business area, whereas Network Services will include the network maintenance and planning services.

Board of Directors' Proposal for Dividends

The parent company's distributable equity at the balance sheet date equals EUR 24.4 million.

Regarding the Annual General Meeting scheduled for 9 April 2010, the Board proposes that a dividend of EUR 0.08 (EUR 0.12) per share would be paid for the outstanding shares for the year 2009.

2 February 2010

Teleste Corporation The Board of Directors	Jukka Rinnevaara President and CEO

Financial Statements

Consolidated Income Statement

1 000 euros	Note	1.1.–31.12.2009	1.1.–31.12.2008	Change, %
Net sales	1	141 651	108 695	30.3
Other operating income	2	3 124	1 820	71.6
Raw material and consumables used		–69 962	–49 145	42.4
Employee benefits expense	3	–44 584	–33 226	34.2
Depreciation and amortisation expense	4	–5 582	–4 705	18.6
Impairment of goodwill	4	–800	0	n/a
Other operating expenses	5	–21 323	–17 811	19.7
Operating profit		**2 524**	**5 628**	**–55.2**
Financial income	6	105	446	–76.5
Financial expenses	7	–710	–979	–27.5
Share of profit of associates		–544	n/a	n/a
Profit before taxes		**1 375**	**5 095**	**–73.0**
Income tax expense	8	–959	433	n/a
Profit for the financial period		**416**	**5 528**	**–92.5**
Attributable to:	9			
Equity holders of the parent		416	5 528	–92.5
Earnings per share for profit of the year attributable to the equity holders of the parent				
(expressed in € per share)				
Basic		0.02	0.32	–92.5
Diluted		0.02	0.32	–92.5
Total comprehensive income for the period (tEUR)				
Net profit		416	5 528	–92.5
Translation differences		189	–508	n/a
Fair value reserve		–116	0	n/a
Total comprehensive income for the period		489	5 020	–90.3
Attributable to:				
Equity holders of the parent		489	5 020	–90.3

Consolidated Balance Sheet

1 000 euros	Note	31.12.2009	31.12.2008	Change, %
ASSETS				
Non-current assets				
Property, plant and equipment	10	9 960	6 373	56.3
Goodwill	11	31 657	13 865	128.3
Other intangible assets	11	7 664	6 466	18.5
Available-for-sale investments	12	713	790	–9.7
		49 994	27 494	81.8
Current assets				
Inventories	14	20 682	14 049	47.2
Trade and other receivables	15	26 884	24 728	8.7
Cash and cash equivalents	16	12 518	9 268	35.1
		60 084	48 045	25.1
Total Assets		**110 078**	**75 539**	**45.7**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	17	6 967	6 967	0.0
Share premium	17	1 504	1 504	0.0
Translation differences		–372	–561	–33.7
Invested nonrestricted equity		2 737	1 451	88.6
Other reserves		–116	0	n/a
Retained earnings		35 949	37 284	–3.6
		46 669	46 645	0.1
Non-current liabilities				
Interest-bearing liabilities	18	12 237	1 175	941.4
Other liabilities		6 461	66	9 689.4
Deferred tax liabilities	13	265	959	–72.4
Provisions	19	513	314	63.4
		19 476	2 514	674.7
Current liabilities				
Trade and other payables	20	32 372	15 851	104.2
Current tax payable	21	0	113	–100.0
Provisions	19	1 026	629	63.1
Interest-bearing liabilities	18	10 535	9 787	7.6
		43 933	26 380	66.5
Total liabilities		**63 409**	**28 894**	**119.5**
Total equity and liabilities		**110 078**	**75 539**	**45.7**

Consolidated Cash Flow Statement

1 000 euros	Note	**1.1.–31.12.2009**	1.1.–31.12.2008
Cash flows from operating activities			
Profit for the period		416	5 528
Adjustments for:			
Non-cash transactions	23	6 666	4 955
Interest and other financial expenses		710	979
Interest income		–95	–436
Dividend income		–10	–10
Income tax expense		959	–433
Changes in working capital and provisions			
Increase in trade and other receivables		12 008	1 932
Increase in inventories		–384	1 887
Increase in trade and other payables		–7 702	–3 296
Decrease in provisions		–92	0
Paid interests and dividends		–1 042	–1 096
Received interests and dividends		105	246
Paid taxes		–1 708	–583
Net cash from operating activities		**9 831**	**9 673**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		–10 281	–378
Purchases of property, plant and equipment (PPE)		–3 272	–293
Proceeds from sales of PPE		500	0
Purchases of intangible assets		–1 327	–2 692
Proceeds from sale of shares		0	221
Purchases of shares		–10	–80
Net cash used in investing activities		**–14 390**	**–3 222**
Cash flows from financing activities			
Proceeds from borrowings		20 542	6 093
Repayments of borrowings		–9 921	–4 596
Payment of finance lease liabilities		–702	–578
Dividends paid		–2 035	–4 158
Purchases of own shares		–264	–1 386
Proceeds from issuance of ordinary shares		0	249
Net cash used in financing activities		**7 620**	**–4 376**
Change in cash			
Cash and cash equivalents at 1 January		9 268	7 702
Effect of currency changes		189	–508
Cash and cash equivalents at 31 December		12 518	9 268

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent						Total equity
1 000 euros	Share capital	Share premium	Translation differences	Retained earnings	Invested non-restricted equity	Other reserves	
At 1 January 2008	6 967	1 504	–53	35 720	2 531		**46 669**
Total comprehensive income for the period			–508	5 528			**5 020**
Total recognised income and expense for the year	0	0	–508	5 528			**5 020**
Dividends				–4 158			**–4 158**
Equity-settled share-based payments				194	–1 329		**–1 135**
Used share options	0	0			249		**249**
	0	0	0	–3 964	–1 080		**–5 044**
At 31 December 2008	6 967	1 504	–561	37 284	1 451		**46 645**
Total comprehensive income for the period			189	416		–116	**489**
Total recognised income and expense for the year	0	0	189	416		–116	**489**
Dividends				–2 035			**–2 035**
Equity-settled share-based payments				0	1 286		**1 286**
Used share options	0	0		284	0		**284**
	0	0	0	–1 751	1 286	0	**–465**
At 31 December 2009	**6 967**	**1 504**	**–372**	**35 949**	**2 737**	**–116**	**46 669**

Accounting principles

Company Profile

Teleste Corporation (the "Company") is a Finnish public limited liability company organised under the laws of Finland and domiciled in Turku in Finland. Its registered address is Seponkatu 1, 20660 Littoinen.

Founded in 1954 Teleste is a technology company running its two business units Broadband Cable Networks and Video Networks. Our Broadband Cable Networks business aims at promoting the business of cable operators making up our clientele. This is achieved by making available network solutions. Our Video Networks business manufactures and delivers high-quality video surveillance network solutions for the transmission of video, data and audio with official authorities and integrators as the primary clientele. The parent company of Teleste Group, Teleste Corporation, has operations in Belgium, China, Denmark, France, India, the Netherlands, Poland and Spain, and a subsidiary in twelve countries outside Finland. Teleste Corporation has been listed on the Helsinki Stock Exchange since 1999.

A copy of the consolidated financial statements can be obtained either from Teleste's website (www.teleste.com) or from the parent company's head office, the address of which is mentioned above.

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) in force as at 31 December 2009. International financial reporting standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements also include additional information in accordance with the Finnish accounting and company legislation.

Teleste adopted IFRSs as from 1 January 2005. Prior to IFRSs Teleste's financial statements were based on Finnish accounting standards (FAS) applicable to listed companies in Finland. IFRS 1 First-time adoption of IFRS was applied in the transition. Teleste's date of transition to IFRSs was 1 January 2004. Starting from 1 January 2009 Teleste adopted:

IFRS 8 Operating Segments was applied starting from 1 January 2009). According to IFRS 8, segment information must be based on the entity's internal reporting that is submitted to the management and the accounting principles adhered to in that practice. This standard shall not have any material impact on Teleste's financial reporting.

IAS 1 (Revised) Presentation of Financial Statements (effective from 1 January 2009). This revised standard have an effect on presentation of consolidated income statement and the consolidate statement of changes in equity.

IAS 23 (Amendment) Borrowing Costs (effective from 1 January 2009). This standard does not have any material impact on Teleste's financial reporting.

IFRS 2 (Amendment) Share-based-payments – Vesting conditions and cancellations (effective from 1 January 2009). The amendments to the standard have not any material impact on Teleste's financial reporting.

Basis of Preparation

The consolidated financial statements are presented in thousands of euro (TEUR) and have been prepared under the historical cost convention, unless otherwise stated in the accounting principles.

Use of Estimates

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the contents of the financial statements as well as use judgement when applying accounting principles. The estimates and assumptions are based on the management's current best knowledge reflecting historical experience and other reasonable assumptions. Actual results may differ from these estimates. Accounting estimates mainly relate to goodwill, obsolete inventories and warranty provisions. The chapter "Accounting policies requiring management's judgement and key sources of estimation uncertainty" discusses judgements made by management and those financial statement items on which judgements have a significant effect.

Subsidiaries

The consolidated financial statements include the accounts of the parent company Teleste Corporation and all those subsidiaries in which it holds, directly or indirectly, over 50 per cent of the voting rights or in which it otherwise has control (together referred to as "Group" or "Teleste"). Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The companies acquired during the financial periods presented have been consolidated from the date of acquisition, when control commenced. The companies disposed during a financial period are included in the consolidated financial statements up to the date of disposal.

Associates

Associates included in the consolidated financial statements are those entities in which Teleste Group holds voting rights over 20 per cent or in which it otherwise has significant influence, but not control, over the financial and operating policies. Holdings in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. The Group's proportionate share of associates' net income for the financial year is presented as a separate line item in the consolidated income statement. The unrealised profits between the Group and associates are eliminated in proportion to share ownership. The carrying amount of an investment in an associate includes the carrying amount of goodwill resulted from its acquisition. When Teleste's share in an associate's losses exceeds its interest in the associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or made payments on behalf of the associate. At the end of the reporting period the Group had no investments in associates.

Joint Ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the joint ventures' assets, liabilities, revenue and expenses on a line by line basis, from the date that joint control commences until the date that joint control ceases. At the end of the reporting period the Group had no interests in joint ventures.

Principles of Consolidation

Acquisitions of companies are accounted for by using the purchase method. All intercompany income and expenses, receivables, liabilities and unrealised profits arising from intercompany transactions, as well as distribution of profits within the Group are eliminated as part of the consolidation process. The allocation of the profit for the period attributable to equity holders of the parent company and minority interest is presented on the face of the income statement and minority interest is also disclosed as a separate item within equity. Minority interest in the loss is recorded in the consolidated financial statements at the investment value at most.

Teleste has applied the exemption under IFRS 1 according to which the classification and accounting treatment of business combinations occurred prior to the IFRS transition date do not have to be restated but previous values under FAS are taken as a deemed cost.

Financial Statements of Foreign Subsidiaries

The functional currency of the parent company is euro and the consolidated financial statements are presented in euro. The functional currency is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. In preparing the consolidated financial statements income statements and cash flows of those foreign subsidiaries whose functional and presentation currency are not the euro, are translated into euro at the average exchange rate during the financial period. Their balance sheets are translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments to assets and liabilities that arose on the acquisition of a foreign entity occurred prior to 1 January 2004 are translated into euro using the rate that prevailed on the date of the acquisition. Goodwill and fair value adjustments arisen on the acquisitions after 1 January 2004 are treated as part of the assets and liabilities of the acquired entity and are translated at the closing rate.

All translation differences arising from consolidation of foreign shareholdings are recognised as a separate item to equity. In accordance with the exemption included in IFRS 1 those cumulative translation differences arisen until the transition date have been reclassified to retained earnings and consequently they will not be later released in the income statement. From the transition date onwards translation differences arising on the consolidation are presented as a separate component of equity. Currently translation differences are entered into comprehensive income. If an interest in a foreign entity is disposed of all, or part of, that entity, related cumulative translation differences deferred in equity are recognised in the income statement as part of the gain or loss on sale.

Foreign Currency Transactions

Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions. At the end of the accounting period, foreign currency monetary balances are translated at the closing rate at the balance sheet date. Non-monetary items stated at fair value in a foreign currency are translated at foreign exchange rates ruling at the dates the fair value was determined. Other non-monetary items are translated using the exchange rate at the date of the transaction. Gains and losses resulting from transactions in foreign currencies and translation of monetary items are recognised in the income statement. Foreign exchange gains and losses on trade receivables and payables are adjusted to revenues and operating expenses, respectively. Other foreign exchange gains and losses are presented as financial income and expenses.

Property, Plant and Equipment

Items of property, plant and equipment are stated at historical cost less cumulative depreciation and any impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Interest expenses are not capitalised as part of the cost of non-current assets. Ordinary maintenance, repairs and renewals are expensed during the financial period in which they are incurred. In Teleste there are no such significant inspection or maintenance costs that should be capitalised. The Group recognises in the carrying amount of an item of property, plant and equipment the subsequent costs when that cost is incurred if it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the cost of the item can be measured reliably. Such renewals and repairs are depreciated on a systematic basis over the remaining useful life of the related asset. Gains and losses on sales and disposals are calculated as a difference between the received proceeds and the carrying amount and are included in other operating income and expenses, respectively.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Expected useful lives and residual values of non-current assets are reassessed at each balance sheet date and where they differ from previous estimates, depreciation periods are changed accordingly. The estimated useful lives are as follows:

- Buildings 25–33 years
- Machinery and equipment 3–5 years
- Computers 0–3 years
- Software 3 years

Land is not depreciated.

Leases

Group as Lessee

Leases of property, plant and equipment where substantially all the risks and rewards incidental to ownership have been transferred to the Group are classified as finance leases. These assets are capitalised and are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease less cumulative depreciation and any impairment losses. The associated lease liabilities are included in interest-bearing liabilities in accordance with their maturity.

These assets acquired under finance leases are depreciated as comparable owned assets over the shorter of the useful lives disclosed above for property, plant and equipment or lease period and are adjusted for impairment charges, if any. Lease payments are apportioned between the reduction of the outstanding lease liability and finance charge. In respect of finance leases, the depreciation on the leased assets and the financial charge on the lease liability are shown in the income statement. The financial charge is allocated to the income statement so as to achieve a constant interest rate on the outstanding liability during the lease term.

An operating lease is a lease of property, plant and equipment where the lessor retains significant risks and rewards incidental to ownership. Payments made thereunder are charged to the income statement as rental expense on a straight-line basis over the lease term.

Group as Lessor

Those leases under which Teleste is a lessor are classified as operating leases. Leased assets are presented in the lessor's balance sheet under property, plant and equipment according to the nature of the asset. They are depreciated over their estimated useful lives in accordance with the depreciation policy used for comparable assets in own use. Lease income is recognised in the income statement on a straight-line basis over the lease term.

Intangible Assets

An intangible asset is recognised only when it is probable that future economic benefits that are attributable to the asset will flow to the Group and if the cost of the asset can be measured reliably. All other expenditure is expensed as incurred.

Goodwill
After 1 January 2004 goodwill represents the Group's share of difference between the cost of the acquisition and the fair value measured at the acquisition date of the net identifiable assets, liabilities and contingent liabilities acquired. The difference is first allocated, where applicable, to the underlying assets. The rest of the excess is presented as goodwill as a separate item in the consolidated balance sheet. Goodwill has been allocated to segments and in respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Goodwill is stated at cost less any cumulative impairment losses. Goodwill (together with other intangible assets with indefinite lives) is not amortised but is tested annually for impairment. Consequently goodwill was amortised on a straight-line basis over the expected useful life until 31 December 2003, after which the amortisation was discontinued.

Research and Development Costs
Research and development costs are expensed as they are incurred, except for certain development costs, which are capitalised when certain criteria are met. Significant future product platforms for which the potential demand and future cash flows can be estimated with sufficient degree of accuracy have been capitalised as intangible assets. Amortisation of such capitalised development projects is commenced after the completion of the subprojects related to the product platform concerned. They are amortised on a systematic basis over their expected useful life, which is three years.

Other Intangible Assets
Other intangible assets of the Group mainly consist of connection fees and these are not amortised.

Those intangible assets which have estimated useful lives are depreciated on a straight-line basis over their known or estimated useful lives.

The estimated useful lives are as follows:
- Customer relationships 2–4 years
- Trademarks 5–10 years
- Technology 3–5 years

Non-Current Assets Held for Sale and Discontinued Operations

A non-current asset (or disposal group) is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. It is measured at the lower of carrying amount and fair value less costs to sell. Such assets and associated liabilities are presented separately in the balance sheet. Assets held for sale are not depreciated (or amortised) after the classification as held for sale.

A discontinued operation is a component of the Group's business that represents a separate major line of business or a geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The result of discontinued operations is presented separately on the face of the consolidated income statement.

Impairment

The carrying amounts of assets are assessed for potential impairment at each balance sheet date and whenever there is any indication that an asset may be impaired. For the purposes of assessing impairment, assets are grouped at the cash generating unit level, which is the lowest level for which there are separately identifiable, mainly independent, cash inflows and outflows. Goodwill, unfinished intangible assets and intangible assets with indefinite useful lives, if any, are in all cases tested annually. All goodwill items of the Group have been allocated to segments. If there is an indication of an impairment, the Group estimates the recoverable amount of the asset or cash generating unit. When the recoverable amount of the asset or cash generating unit is lower than the carrying amount, the difference is immediately recognised as an impairment loss in the income statement. If the impairment loss is to be allocated for a cash-generating unit, it is allocated first by writing down any goodwill and then on pro rata basis to other assets of the unit.

The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell or value in use. Teleste has applied value in use in its calculations in which case the estimated future net cash flows expected to be derived from the asset or cash generating unit are discounted to their present value. Expenditures to improve assets' performance, investments or future restructurings are excluded from the cash flow estimates.

An impairment loss relating to property, plant and equipment and other intangible assets excluding goodwill is reversed if there is an indication that the impairment loss may no longer exist and there has been a positive change in the estimates used to determine the recoverable amount of an asset or cash generating unit. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. However, an impairment loss in respect of goodwill is never reversed.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is assigned by using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises all direct costs incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Financial Assets and Liabilities

In Teleste hedge accounting as defined under IAS 39 is applied only for interest swap contracts for specific loans. IAS 1 has been applied since 1 January 2007.

Since 1 January 2004 financial assets are classified into categories as follows: financial assets at fair value through profit or loss, held-to-maturity assets, loans or receivables (assets) and available-for-sale assets. Financial assets are classified when initially acquired based on their purpose of use. In the case of a financial asset not measured at fair value through profit or loss, transaction costs are included in the acquisition cost. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. All purchases or sales of financial assets are recognised or derecognised using trade date accounting.

A financial asset is derecognised when the Group has lost its contractual rights to the cash flows from the financial asset or when it has transferred substantially all the significant risks and rewards of ownership of the financial asset to an external party.

Financial Assets at Fair Value Through Profit or Loss
Financial assets at fair value through profit or loss are either classified as held for trading, or they are designated by the Group as at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of short-term profittaking from changes in market prices or it is a derivative that does not qualify for hedge accounting. Financial assets and liabilities at fair value through profit or loss are recognised on the balance sheet using trade date accounting. They are measured at their fair values, which is the bid price at the balance sheet date based on published price quotations in an active market. Both financial assets held for trading and other financial assets maturing in 12 months after the balance sheet date are included in the current assets. A gain or loss arising from a change in the fair value, realised or unrealised, is recognised in the income statement as incurred.

Derivatives and Hedge Accounting
Derivatives, including embedded derivatives, are included in the financial assets at fair value through profit or loss. They are recognised on the balance sheet at cost, equivalent to the fair value, and are subsequently fair valued at each balance sheet date. The Group uses forward exchange agreements and the Group's hedging policy is to cover all material currency risks at least six months ahead. Hedge accounting is applied for interest swap contracts hedging the interest risk for specific loans. Changes in fair value of instruments designated as hedging instruments are recognised in profit or loss. Gains and losses arising from changes in fair value are included in operating profit unless the hedged item relates to financing when fair value changes are recognised in financial income or expenses. Fair values are determined utilising public price quotations and rates as well as generally used valuation models. The data and assumptions used in the valuation model are based on verifiable market prices. Derivatives that mature within 12 months after the balance sheet date are included in current assets or liabilities. Derivatives are not used for speculative purposes. Changes in the fair values of derivative instruments, for which hedge accounting is applied and which are effective hedging instruments, are recognised in profit or loss in congruence with the hedged items.

On initial designation of the hedge, the Group documents the relationship between the hedged item and hedging instrument, and the risk management objectives and strategy in undertaking the hedge transaction. The Group documents and assesses both at the inception of the hedge relationship and at least at each reporting date, the effectiveness of the hedging relationship by monitoring the ability of the hedging instrument to offset the changes in the fair value or cash flows of the respective hedged item. The interest element of interest rate swaps used to hedge variable rate loans is recognised in profit or loss within financial items and the change in the fair value of the hedging instrument is recognised in equity.

Available-for-sale Assets
This category comprises those non-derivative financial assets that are designated as available for sale or are not classified into other categories. In Teleste available-for-sale investments consist of holdings in listed and unlisted companies and they are normally measured at their fair value. Investments in listed companies are measured at the bid price at the balance sheet date based on published price quotations in an active market. Such unlisted shares whose fair value cannot be reliably determined, are measured at cost. Unrealised changes in value of available-for-sale investments, net of tax, are recognised in equity in fair value reserve. Cumulative fair value changes are released to the income statement when the investment is sold or disposed of. Such significant impairment losses for which there is objective evidence, are recognised in the income statement immediately. Normally available-for-sale investments are included in non-current assets unless the Group has the intention to hold them for less than 12 months after the balance sheet date.

Loans and receivables
Financial assets that belong to this category meet the following criteria: they are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group does not hold them for trading purposes either. Loans and receivables arise when money, goods or services are delivered to a debtor. They are included in current or non-current assets in accordance with their maturity. Loans granted by the Group are measured at cost. An impairment loss is recognised on loan receivables if their carrying amount exceeds their recoverable amount.

Held-to-maturity Investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. They are stated at amortised cost less impairment losses and presented within non-current assets. At the end of the reporting period the Group had no assets classified as held-to-maturity investments.

Financial Liabilities
Since 1 January 2004 financial liabilities are classified either as financial liabilities at fair value through profit or loss or as other liabilities. Teleste only has liabilities classified to the latter category. On initial recognition a loan is measured at its fair value that is based on the consideration received. Subsequent to initial recognition, these liabilities are stated at amortised cost calculated using the effective interest method. Interest expenses are recognised in the income statement over the term of the loan using the effective interest method.

Trade Receivables
Trade receivables are recognised at the original invoice amount to customers and stated at their cost less impairment losses, if any. The amount of doubtful receivables and assessment of a potential impairment is based on risk of individual receivables. Trade receivables are measured at their probable value at the highest. An impairment loss is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Bad debts recognised in the income statement are included in other operating expenses.

Cash and Cash Equivalents
Cash and cash equivalents comprises cash balances, call deposits and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition. Bank overdrafts, if any, are included within current liabilities.

Treasury Shares

Teleste Corporation's own shares acquired by the Group, including directly attributable costs, are presented as a deduction from total equity in the consolidated financial statements. Purchases or subsequent sales of treasury shares are presented as changes in equity.

Dividends

The dividend proposed by the Board of Directors is not recognised until approved by a general meeting of shareholders.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, a reliable estimate can be made of the amount of the obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money on the amount of a provision is material, a provision is discounted. Provisions can arise from warranties, onerous contracts and restructurings. A warranty provision is recognised when the underlying products are sold. The provision is based on historical warranty data and an estimate. A provision for non-cancellable purchase commitments of the Group is recognised, if these commitments result in inventory in excess of forecasted requirements. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A reimbursement from a third party related to a provision is recognised as a receivable only when the reimbursement is virtually certain.

A provision for restructuring is recognised when the Group has a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly to those it concerns. The plan identifies at least the following: the business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken and when the plan will be implemented. Future operating costs are not provided for.

Revenue Recognition and Net Sales

Revenue from the sale of goods is recognised in the income statement when all significant risks and rewards of ownership have been transferred to the buyer, which normally takes place when a commodity is delivered. Revenue from services is recognised when the service has been performed.

Revenue from construction contracts is recognised either on a percentage-of-completion basis, using units of delivery (based on predetermined milestones) or by applying the cost-to-cost method of accounting as the measurement basis. Estimated contract profits are recognised in earnings in proportion to recorded sales, when a certain predetermined milestone has been achieved. In the cost-to-cost method, revenue and profits are recognised after considering the ratio of cumulative costs incurred to estimated total costs to complete each contract (the stage of completion). Recognition of profit requires the outcome of a construction contract be estimated reliably. If this is not the case, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs are expensed in the period in which they are incurred. In the event that the Group can be held as the main contractor of a construction contract, various product expenses including raw materials and labour costs will be accounted for in the calculation of the stage of completion. Possible changes in the expected total expenses of a construction contract are expensed as incurred. The expected loss is charged to the income statement immediately.

Costs related to a construction contract for which revenue is not yet recognised are included in inventories under unfinished construction contracts. If costs incurred together with recognised profits exceed the amount billed, the difference is included in the balance sheet item “trade and other receivables”. When costs incurred together with recognised profits are lower than the amount billed, the difference is shown under “trade and other payables”.

Net sales include revenue from services rendered and goods sold, adjusted for discounts granted, sales-related taxes and effects of the translation differences.

Other Operating Income

Other operating income comprises income not generated from primary activities, such as rental income and gains from disposal of assets.

Government Grants

Government grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised by deducting the grant from the carrying amount of the asset.

Employee Benefits

Pension Arrangements
Pension plans are classified as either defined contribution plans or defined benefit plans. The plans the Group has currently are classified as defined contribution plans. Contributions to defined contribution pension plans are recognised as an expense in the income statement in the year to which they relate. The statutory pension plans of Finnish subsidiaries in the Group are funded through pension insurance. Subsidiaries outside Finland have various pension schemes in accordance with local requirements and practices.

Share-based Payments
Teleste has applied IFRS 2 Share-based payments to granted share options to the extent that such share option plans are in the scope of this standard, i.e. to those share option arrangements in which share options have been granted after 7 November 2002 that had not yet vested until 1 January 2005. The options granted before this have not been expensed in the income statement. The granted share options are measured at their fair values using the Black-Scholes option pricing model at the grant date and are recognised as an employee expense during the vesting period with a corresponding increase in equity. When the options are exercised, the proceeds received, net of any transactions costs, are credited to share capital (nominal value) and the share premium reserve.

Operating Profit

Operating profit is not defined under IAS 1 Presentation of Financial Statements. In Teleste it is defined as a net amount that is comprised of the following items:

Net sales
+ other operating income
– raw material and consumables used adjusted for changes in inventories of finished goods and work in progress
– employee benefits expense
– depreciation and amortisation expense and impairment losses
– other operating expense

= operating profit / loss

All other items not mentioned above are presented under the operating profit. Translation differences relating to sales and purchases are treated as adjustments to these items. All other translation differences are included in financial income and expenses.

Borrowing Costs

Borrowing costs are generally expensed in the period in which they are incurred. However, incremental transaction costs directly related to acquiring a loan are included in the initial cost and are amortised as an interest expense using the effective interest rate method. The Group had no such capitalised transaction costs in its balance sheet at the end of the reporting period.

Interest and Dividend Income

Interest income is recognised using the effective interest method. Dividend income is recognised when the right to the dividend has established.

Income Taxes

The income taxes in the consolidated income statement consist of current tax and the change in the deferred tax assets and liabilities. Current tax includes taxes of the Group companies calculated on the taxable profit for the period determined in accordance with local tax rules, as well as the tax adjustments related to previous years. Deferred tax relating to items charged or credited directly to equity is itself charged or credited directly to equity.

Deferred tax assets and liabilities are provided in the consolidated financial statements using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The main temporary differences arise from the treatment of development costs, the depreciation difference on property, plant and equipment and effects of consolidation and eliminations. Deferred taxes are not provided for impairment of goodwill, which is not deductible for tax purposes, nor for undistributed profits of subsidiaries to the extent that is it probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are recognised at their full amounts in the balance sheet, and deferred tax assets are recognised at estimated realisable amounts. The enacted or substantially enacted tax rate at the balance sheet date is used as the tax rate.

Accounting Policies Requiring Management’s Judgement and Key Sources of Estimation Uncertainty

Management’s estimates regarding obsolete inventories, bad debts and warranties are based on approved financial models and case-specific judgments. Both historical experience and management’s current view on the market situation have been employed when using the financial models. Management has used the best information available during the process of preparing the financial statements when making case-specific judgements. Impairment tests reflect assumptions made by management and underlying sensitivity analyses of the future cash flows.

By the issuance of the consolidated financial statements Teleste is not aware of any significant uncertainties regarding estimates made at the balance sheet date, nor of such future key assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

New and Amended Standards and Interpretations

The IASB has published the following standards or interpretations among others that are not yet effective and that Teleste has not yet adopted. Teleste will adopt them as from their effective dates, if the effective date is the same as the beginning of the financial year, or if the effective date is different, they will be adopted as from the beginning of the following financial year.

IFRS 3 (Revised) Business Combinations (effective from 1 July 2009). The scope of the revised standard is broader than that of the earlier one. The revised standard contains a number of significant changes where the Group is concerned. The changes affect the goodwill recognised for acquisitions and the income from the disposal of business operations. The standard also affects the items recognised in the income statement both during the period of which an acquisition is made and in annual periods when an additional purchase price is paid or additional acquisitions are made. According to the transitional provision of the standard business combinations whose date of acquisition is before application of the standard becomes mandatory need not be adjusted.

Improvements to IFRSs (issued 16 April 2009 and various effective dates). In Teleste’s estimation, these changes in standards will not have significant impact on Teleste’s reporting. This amendment has not yet been adopted by EU.

Segment Reporting

Teleste Group is organised in the primary reporting segments that are its business segments and secondary reporting segments that are geographical segments. These segments are based on the Group's organisational and internal reporting structure. The Group has adopted IFRS 8 since 1 January 2009 and it haven't had any impact on the reporting of operating segments.

Business Segments

The Group comprises two business segments that are Broadband Cable Networks and Video Networks.

Broadband Cable Networks segment's clientele consists almost exclusively of cable operators. Teleste supplies cable operators with equipment and systems designed to be used for building transmission networks and processing of video and data signals. Deliveries by Teleste include both individual pieces of equipment and comprehensive networks. Teleste also makes available a number of services related to the maintenance of network infrastructure.

Video Networks is in the business of manufacturing and supplying solutions for video surveillance networks between camera outputs and control rooms. The focus area is video surveillance applications requiring high-quality and real-time video, audio and data. With authorities as the main end-user group of Teleste systems, the most important applications are traffic control systems for both road and rail transport, urban surveillance systems and applications related to public safety in areas such as border control, ports and airports. One of Teleste's special know-how area is to integrate video surveillance network with hundreds of cameras to one entirety.

Geographical Segments

Secondary geographical segment is divided into four geographical areas:

- Finland
- Other Nordic countries
- Other Europe
- Others (North America, Asia and other countries)

The main market area of Broadband Cable Networks is Europe where the business unit is present with its 28 dedicated offices supported by several support and integration partners. Apart from Europe, offices have been established in China and India. Through its own offices Teleste Video Networks is present locally in all the major geographical markets: Europe, America and South-East Asia.

Sales of geographical segments are shown based on customer location. Assets and investments are presented by geographical location of assets.

There are no inter-segment sales in the Group.

Segment Assets

Segment assets include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Unallocated Items

Unallocated income statement items include costs and incomes which follow earnings after depreciations. Assets not allocated to the segments represent cash. Unallocated liabilities are interest bearing liabilities and tax liabilities.

Business Segments

2009	1 000 euros	Broadband Cable Networks	Video Networks	Group
External sales				
Services		66 757	320	67 077
Goods		58 789	15 785	74 574
Total external sales		125 546	16 105	141 651
Operating profit of segments		2 869	–345	2 524
Operating profit				2 524
Financial items				–605
Shares of associates				–544
Profit before taxes				1 375
Segment assets		83 181	14 379	97 560
Unallocated assets				12 518
Total assets				110 078
Capital expenditure		24 507	734	25 241
Depreciation and amortisation		4 590	992	5 582
Impairment of goodwill			800	800

2008	1 000 euros	Broadband Cable Networks	Video Networks	Group
External sales				
Services		5 459	218	5 677
Goods		87 146	15 872	103 018
Total external sales		92 605	16 090	108 695
Operating profit of segments		6 098	–470	5 628
Operating profit				5 628
Financial items				–533
Profit before taxes				5 095
Segment assets		50 930	15 341	66 271
Unallocated assets				9 268
Total assets				75 539
Capital expenditure		3 378	518	3 896
Depreciation and amortisation		3 713	992	4 705

Geographical segments

2009	1 000 euros	Finland	Nordic countries	Other Europe	Others	Group
Sales by origin		11 630	17 964	107 011	5 046	141 651
Assets		32 611	11 843	64 547	1 077	110 078
Capital expenditure		4 611	20	20 580	30	25 241

2008	1 000 euros	Finland	Nordic countries	Other Europe	Others	Group
Sales by origin		12 620	19 628	70 522	5 925	108 695
Assets		51 157	9 925	12 582	1 875	75 539
Capital expenditure		3 408	40	330	118	3 896

Major customer
Revenues from one customer of the Group's Broadband Cable Networks segment represents approximately 33.6 Meur in 2009 (7.3 Meur in 2008), which is 23.7% (6.7%) of Group net sales.

Business Combinations Acquired During 2009 and 2008

The range of products and services of Broadband Cable Networks was strengthened by acquisition of 100% of shares of German companies, Antel GmbH, MKS and Young-Net GmbH was purchased at 1 January 2009. At 1 July 2009 100% of shares in AVC Systemhaus GmbH was purchased. With these purchases Teleste ownership in Cableway AG increased to 75%. The purchase prices amounted totally EUR 10,954 thousand and was paid in cash.

The acquisition resulted in EUR 2,977 thousand of intangible assets, which was allocated to trade marks, customer relationships and personnel. Teleste personnel increased with 624 persons. The goodwill, amounted EUR 15,260 thousand, is mainly due to future revenue expectation and to personnel synergy effects in the future. The goodwill include estimated amount of the conditional supplementary contract price.

The impact of the acquisition on Teleste's net sales during the period 1 January–31 December 2009 was EUR 62,271 thousand and on the net profit EUR 1,431 thousand. If Cableway and AVC Systemhaus had been consolidated since 1 January 2009, the Group net sales would have been EUR 14,750 thousand higher and the Group net profit would have decreased EUR 537 thousand.

The range of products and services of Broadband Cable Networks was strengthened by acquisition of 100% of shares of Finnish Ortikon Interactive Oy at 6 February 2008. The purchase price was EUR 100 thousand and paid in cash.

The acquisition resulted in EUR 202 thousand of intangible assets, which was allocated to trade marks, customer relationships and technology. The goodwill, amounted EUR 605 thousand, is mainly due to synergy effects in the future. The impact of the acquisition on Teleste's net sales during the period was EUR 563 thousand and on the EBIT EUR –119 thousand.

During the second quarter of 2008 the final conditional supplementary contract price of EUR 275 thousand related to the Broadband Cable Networks' acquisition of Promacom AB in year 2006 were recognised in the books. The conditional supplementary contract price in its entirety was booked in the goodwill.

The net profit of Ortikon Interactive Oy for the period 6 February–31 December 2008 is included in the consolidated income statement for the year 2008. If the companies had been consolidated since 1 January 2008, the Group net sales would have been EUR 0.02 million higher and the Group net profit would have increased EUR 0.05 million.

The fair values determined in the business combination are based on the following estimates:

- The fair value of acquired trade marks is determined to equate with the discounted royalties, which have been managed to be avoidable by owing the trademarks in question. A reasonable royalty per cent, that an external party would pay for a licensing agreement, has been estimated when determining the fair values.
- The fair value of acquired technology is determined to equate with the discounted product development costs, which have been managed to be avoidable by owing the technology in question.
- Determination of fair value of the customer relationships is based on the estimated life time of the customer relationships and the discounted cash flows to be derived from the existing customerships.

CALCULATION OF RECOGNISED FAIR VALUES ON ACQUISITION

1 000 euros	
Fair values used in consolidation	
Trade marks (inc. in intangible assets)	767
Customer relationship (inc. in intangible assets)	2 210
Book values used in consolidation	
Tangible assets	1 119
Inventories (IFRS Fair value)	7 304
Deferred tax receivables	1 022
Trade receivables	11 004
Other receivables	4 071
Liquid funds	2 553
Total assets	30 050
Book values used in consolidation	
Interest-bearing liabilities	1 767
Deferred tax liabilities	774
Other liabilities	25 629
Total liabilities	28 170
Net identifiable assets and liabilities	1 880
Total consideration	16 954
Acquisition costs	186
Goodwill on acquisition	15 260
Consideration paid in cash	–11 284
Cash and cash equivalents in acquired subsidiary	2 553
Total net cash outflow on the acquisition	–8 731

Notes to the Consolidated Income Statement and Balance Sheet

1 CONSTRUCTION CONTRACTS

Group revenue includes EUR 2,911 thousand in 2009 (EUR 1,987 thousand in 2008) of income from construction contracts.

Revenue recognised in the consolidated income statement from construction contracts in progress amounted to EUR 434 thousand (EUR 343 thousand). No advance payments included to balance sheet at the closing time.

1 000 euros	**2009**	2008
2 OTHER OPERATING INCOME		
Government grants related to development costs	1 602	1 392
Rental income	117	118
Government grants	1 405	310
Total	**3 124**	**1 820**
3 EMPLOYEE BENEFITS		
Wages and salaries	–35 015	–25 622
Pension expenses		
Defined contribution plans	–6 581	–5 274
Other post employment benefits	–3 190	–2 805
Activated R&D salaries and social costs	486	671
Equity-settled share-based transactions	–284	–196
Total	**–44 584**	**–33 226**
Information on the remuneration of (and loans to) the Group management is presented in the note Related party transactions.		
The average number of employees during the financial year	1 103	702
4 DEPRECIATION, AMORTISATION AND IMPAIRMENT		
Depreciation and amortisation by asset type:		
Tangible assets		
Buildings	–211	–392
Machinery and equipment	–1 539	–1 032
Other tangible assets	–347	–548
Total	**–2 097**	**–1 972**
Intangible assets		
Capitalised development expenses	–2 367	–2 209
Other intangible assets	–1 118	–524
Total	**–3 485**	**–2 733**
Impairment losses		
Goodwill	–800	0
Total	**–800**	**0**
5 OTHER OPERATING EXPENSES		
Rental expenses	–3 485	–2 304
External services	–2 228	–1 702
Other variable costs	–4 222	–3 330
Travel and IT costs	–4 371	–4 519
R&D costs	–3 103	–3 227
Other expenses	–3 914	–2 729
Total	**–21 323**	**–17 811**
Audit expenses		
KPMG		
Auditing assignments	–165	–39
Tax consultancy	–43	–65
Other assignments	–23	–59
Other auditors		
Auditing assignments	–23	–24
Other assignments	–37	–10

1 000 euros	**2009**	2008
6 FINANCIAL INCOME		
Interest income	64	179
Dividend income	10	10
Other financial income	31	257
Total	**105**	**446**

Other financial income includes EUR 0 thousand gain from sales of other financial assets during the period (EUR 200 thousand 2008).

7 FINANCIAL EXPENSES		
Interest expenses	–526	–592
Exchange losses	0	–220
Other financial expenses	–184	–167
Total	**–710**	**–979**

Other financial expenses includes interests from financial leasing expenses during the period EUR 120 thousand (EUR 167 thousand in 2008). Losses from forward exchange contratcs are included in operating profit.

In Finland a premises expansion investment of EUR 3.0 million was carried out. Interest expenses of EUR 20 thousand were capitalized with a capitalisation rate of 2.1%.

8 INCOME TAXES		
Recognised in the income statement		
Current tax expense		
Current year	–923	–869
Adjustments for prior years	–76	1 440
Deferred tax expense	40	–138
Total	**–959**	**433**

Reconciliation of the tax expense, EUR –959 thousand, calculated using the Teleste Group's domestic corporation 26% tax rate:

Profit before tax	1 375	5 095
Income tax using the domestic corporation tax rate (26%)	–357	–1 325
Effect of tax rates in foreign jurisdictions	–194	–156
Tax exempt revenues	0	536
Tax debt increase related to balance sheet items	40	–138
Non-deductible expenses	–436	–20
Taxes from previous year	–76	1 440
Effect of tax losses utilised	64	96
Income tax income/expense reported in the consolidated income statement	**–959**	**433**

9 EARNINGS PER SHARE

The basic earnings per share is calculated as follows:

$$\frac{\text{Profit for the year attributable to equity holders of the parent}}{\text{Weighted average number of ordinary shares outstanding during the financial year}}$$

The number of ordinary shares outstanding excludes the treasury shares.

The diluted earnings per share is calculated as follows:

$$\frac{\text{Profit for the year attributable to equity holders of the parent (diluted)}}{\text{Weighted average number of ordinary shares outstanding during the financial year (diluted)}}$$

The changes in the number of the shares are presented in the note 17 Capital and reserves.

Notes to the Consolidated Income Statement and Balance Sheet

	2009	2008
Profit for the year attributable to equity holders of the parent (1 000 euros)	416	5 528
Weighted average number of ordinary shares outstanding during the financial year (1 000 shares)	17 229	17 243
Basic earnings per share (euros/shares)	0.02	0.32
Weighted average number of ordinary shares outstanding during the financial year (1 000 shares)	17 229	17 243
Effect of share options on issue (1 000 shares)	0	129
Weighted average number of ordinary shares outstanding during the financial year (diluted) (1 000 shares)	17 229	17 372
Diluted earnings per share (euros/share)	0.02	0.32

The share options granted by the Group have a dilutive effect, i.e. they increase the number of the ordinary shares when their subscription price is below the fair value of the share. The dilutive effect equals the number of the shares gratuitously issued; this difference arises when the Group cannot issue the same number of shares at their fair value using the proceeds received on the exercise of the options. During 2009 the dilutive effect has had no influence on the calculations.

10 PROPERTY, PLANT AND EQUIPMENT

1 000 euros	Land areas	Buildings	Machinery and equipment	Other tangible assets	**Total**
Balance at 1.1.2009	176	5 843	17 289	4 017	**27 325**
Additions	0	3 184	1 070	566	**4 820**
Acquisitions through business combinations	0	105	1 014	0	**1 119**
Disposals	–23	–232	0	0	**–255**
Balance at 31.12.2009	153	8 900	19 373	4 583	**33 009**
Depreciation and impairment losses					
Balance at 1.1.2009	0	–3 279	–14 296	–3 377	**–20 952**
Depreciation charge for the year	0	–211	–1 539	–347	**–2 097**
Balance at 31.12.2009	0	–3 490	–15 835	–3 724	**–23 049**
Carrying amounts at 1.1.2009	176	2 564	2 993	640	**6 373**
Carrying amounts at 31.12.2009	153	5 410	3 538	859	**9 960**

1 000 euros	Land areas	Buildings	Machinery and equipment	Other tangible assets	**Total**
Balance at 1.1.2008	162	5 843	17 040	3 693	**26 738**
Additions	14	0	237	324	**575**
Acquisitions through business combinations	0	0	12	0	**12**
Balance at 31.12.2008	176	5 843	17 289	4 017	**27 325**
Depreciation and impairment losses					
Balance at 1.1.2008	0	–2 887	–13 264	–2 829	**–18 980**
Depreciation charge for the year	0	–392	–1 032	–548	**–1 972**
Balance at 31.12.2008	0	–3 279	–14 296	–3 377	**–20 952**
Carrying amounts at 1.1.2008	162	2 956	3 776	864	**7 757**
Carrying amounts at 31.12.2008	176	2 564	2 993	640	**6 373**
Carrying amount of production machinery and equipment at 31.21.2009			3 145		
Carrying amount of production machinery and equipment at 31.21.2008			2 306		

Property, plant and equipment include assets leased under financial leases as follows:

1 000 euros	Machinery and equipment
31.12.2009	
Historical cost	3 605
Cumulative depreciation	–2 333
Carrying amount at 31.12.	1 272
31.12.2008	
Historical cost	3 405
Cumulative depreciation	–1 606
Carrying amount at 31.12.	1 799

1 000 euros	Goodwill	Develop-ment costs	Other intangible assets	Total
11 INTANGIBLE ASSETS				
Balance at 1.1.2009	13 865	10 432	2 915	**27 212**
Additions	18 592	1 597	3 087	**23 276**
Balance at 31.12.2009	32 457	12 029	6 002	**50 488**
Amortisation and impairment losses				
Balance at 1.1.2009	0	–5 825	–1 056	**–6 881**
Amortisation for the year	–800	–2 368	–1 118	**–4 286**
Balance at 31.12.2009	–800	–8 193	–2 174	**–11 167**
Carrying amounts at 1.1.2009	13 865	4 607	1 859	**20 331**
Carrying amounts at 31.12.2009	31 657	3 836	3 828	**39 321**

1 000 euros	Goodwill	Develop-ment costs	Other intangible assets	Total
Balance at 1.1.2008	12 686	7 843	2 935	**23 464**
Additions	575	2 589	58	**3 222**
Disposals			–280	
Acquisitions through business combinations	604		202	**806**
Balance at 31.12.2008	13 865	10 432	2 915	**27 212**
Amortisation and impairment losses				
Balance at 1.1.2008	0	–3 616	–532	**–4 148**
Amortisation for the year	0	–2 209	–524	**–2 733**
Balance at 31.12.2008	0	–5 825	–1 056	**–6 881**
Carrying amounts at 1.1.2008	12 686	4 226	2 403	**19 315**
Carrying amounts at 31.12.2008	13 865	4 607	1 859	**20 331**

For the purposes of impairment testing goodwill items of the Group have been allocated to the segments, each of which represents a separate cash-generating unit. The aggregate goodwill amount totalled EUR 31.7 million at 31 December 2009. Goodwill has been allocated to the following cash-generating units (Meur):
Teleste Broadband Cable Networks 26.1
Teleste Video Networks 5.6

The recoverable amount of the segments is based upon value-in-use calculations. Those calculations use cash flow projections based upon the strategy and budgets approved by the management. Calculations are prepared covering a 10 years' period, the cash flow for Broadband Cable Networks covers the first 2 years and is based on 0 growth rate, and during the next 3 years the expected growth rate is 5 per cent (5 per cent). The expected future cash flows for a further 5 year period are extrapolated using a 2 per cent (5 per cent) growth rate. The cash flow for Video Networks segment, for the next 5 years, is based on the expected growth rate of 10 per cent (10 per cent). The expected future cash flows, for a further 5 year period are extrapolated using a 5 per cent growth rate. Management's view on the cash flows is cautious as the effect of the global turn down and changes of the industry are difficult to foresee. A discount rate of 12.3 per cent (12.7 per cent) has been used in discounting the projected cash flows. The terminal value of the segments is calculated by using a growth rate of 2 per cent. Management is of the opinion that potential changes of any key parameters used in the calculations moderately assessed would not result in the carrying amount of the Broadband Cable Networks segment to exceed the recoverable amount. For Video Networks segment the group has decided to book an impairment loss of EUR 800 thousand from the goodwill. This impairment loss is based on the estimated growth rate for one of Video Networks' cash generating units expected yearly growth rate of 5 per cent of the next coming 5 years. If the growth rate would be 10 per cent next 5 years the impairment loss would have been EUR 400 thousand. Partly impairment losses are still possible on Video Networks segment, if the growth rate of 10 per cent units on yearly basis is not achieved.

The Group received a grant amounting to EUR 2.0 million from Tekes (National Technology Agency of Finland) towards development costs in 2009 (2008: EUR 2.0 million). From the grant received EUR 0.36 million (2007: EUR 0.64 million) has been recognised to deduct the carrying amount of the asset. The grant has the condition, according to which 10 per cent of the total costs of the project have to be incurred through subcontracting work in Finnish small and medium-sized companies.

1 000 euros	**2009**	2008
12 AVAILABLE-FOR-SALE INVESTMENTS		
Unlisted shares	713	790
Total	713	790

1 000 euros	1.1.2009	Recognised in the income statement	31.12.2009
13 DEFERRED TAX ASSETS AND LIABILITIES			
Movements in temporary differences during 2009			
Deferred tax assets:			
Effects of consolidation and eliminations	737	961	1 698
Provisions	244	0	244
Other items	0	41	41
Cumulative depreciation difference	388	54	442
Total	**1 369**	**1 056**	**2 425**
Deferred tax liabilities:			
Capitalisation of intangible assets	–1 197	206	–991
Fair value adjustments to intangible and tangible assets on acquisition	–444	–716	–1 160
Cumulative depreciation difference	–285	29	–256
Other taxable temporary differences	–402	117	–283
Total	**–2 328**	**–364**	**–2 690**

In the consolidated financial statements deferred tax receivables and liabilities have been offset.

The change in the balance sheet liabilities does not match the deferred tax liability recognised in the income statement. This is due to recognition of tax debt involving fair value of intangible assets and group internal eliminations.

1 000 euroa	1.1.2008	Recognised in the income statement	31.12.2008
Movements in temporary differences during 2008			
Deferred tax assets:			
Effects of consolidation and eliminations	663	74	737
Provisions	231	13	244
Cumulative depreciation difference	285	103	388
Total	**1 179**	**190**	**1 369**
Deferred tax liabilities:			
Capitalisation of intangible assets	–1 099	–98	–1 197
Fair value adjustments to intangible and tangible assets on acquisition	–527	83	–444
Cumulative depreciation difference	–467	182	–285
Other taxable temporary differences	–283	–117	–402
Total	**–2 376**	**50**	**–2 328**

In the consolidated financial statements deferred tax receivables and liabilities have been offset.

At 31.12.2009 the Group had unused tax losses in subsidiaries amounting to EUR 1,855 thousand. No deferred tax asset has been recognised in respect of this because it is not probable that future taxable profit will be available against which the Group can utilise the benefit therefrom. The Group has also deferred tax asset abroad EUR 448 thousand. These are not included in the calculations due to the uncertainty if Group can utilise them.

No deferred tax liability has been provided for the undistributed profits of the foreign subsidiaries amounting to EUR 4,314 thousand at 31.12.2009 (31.12.2008: EUR 3,669 thousand). This is because the group has the power to decide the time when the tax obligation would realize. The realization of this tax is unlikely in the near future.

1 000 euros	**2009**	2008
14 INVENTORIES		
Raw materials and consumables	4 156	3 047
Work in progress	11 651	5 075
Finished goods	4 875	5 927
Total	**20 682**	**14 049**

The amount of the impairment losses of inventories to the net realisable value recognised as an expense during the financial period is EUR 700 thousand. At the end of the financial year EUR 6,152 thousand was deducted from the inventory value to the net realisable value (31 December 2008: EUR 5,452 thousand).

1 000 euros	2009	2008
15 TRADE AND OTHER CURRENT RECEIVABLES		
Trade receivables	22 144	20 656
Accrued income and prepayments	2 280	3 458
Other receivables	2 460	614
Total	**26 884**	**24 728**
16 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand and call deposits	12 518	9 268
Total	**12 518**	**9 268**
Cash and cash equivalents in the statement of cash flows	12 518	9 268

17 CAPITAL AND RESERVES

1 000 euros	Number of shares, 1 000 pcs	Number of own shares, 1 000 pcs	Number of shares, total, 1 000 pcs	Share capital, 1000 euros	Reserve fund, 1000 euros
At 1.1.2008	17 319	352	17 671	6 967	1 504
Share options exercised by employees	134	0	134	0	0
Own shares purchased	–422	422	0	0	0
Own shares sold	8	–8	0	0	0
At 31.12.2008	17 039	766	17 805	6 967	1 504
Share options exercised by employees	0	0	0	0	0
Own shares purchased	–78	78	0	0	0
Own shares sold	465	–465	0	0	0
At 31.12.2009	17 426	379	17 805	6 967	1 504

The number of Teleste Oyj shares was 17,805,590 at 31 December 2009 (31 December 2008: 17,805,590 shares). All shares issued have been fully paid.

The Annual General Meeting of Teleste Oyj held on 7 April 2009 authorised the Board to acquire the maximum of 900,000 of the company's own shares and to convey the maximum of 1,744,721 company's own shares. The AGM also authorised the company Board to issue 10,000,000 new shares. Pursuant to the special rights provided by the company, the maximum number of significant shares is 5,000,000; these special rights are included in the authorisation to issue 10,000,000 new shares.

On 10 June 2009, the number of company's own shares conveyed by authorisation granted by the Annual General Meeting of 2009 for the additional purchase price of DINH Telecom acquired on 2 April 2007 was 464,736, making 2.61% of the share capital. In the review period 78,530 shares were purchased. At the end of December, the number of own shares in the Group possession stood at 379,985. The minority share from acquisitions in Germany is not calulated due to the fact that equity is negative.

The annual general meeting of Teleste Oyj held on 1 April 2008 authorised the Board to acquire the maximum of 1,400,000 Teleste's own shares, convey at most 1,744,721 own shares. The maximum number of shares that may be subscribed with the special rights granted by the Company is 2,000,000 shares. A maximum of 5,000,000 new shares may be issued.

In the period under review, 7,761 own shares were conveyed to the Management Team share bonus scheme. In the review period 421,470 own shares were purchased. At end of December, the number of own shares in the Group possession stood at 766,191. A number of 134,285 new shares were subscribed by Teleste 2002B options.

Shares subscribed for pursuant to the share option plans will entitle to dividend when the increase of the share capital is registered with the Finnish trade register. Voting and other shareholder rights will commence on the date on which the increase of the share capital is registered with the Finnish trade register.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Dividends
After the balance sheet date the dividend of EUR 0.08 per share (2008 EUR 0.12 per share) was proposed by the Board of Directors.

17 SHARE-BASED PAYMENTS

Teleste Corporation had two option schemes in operation during the period: Stock Options 2004 and Stock Options 2007. The schemes were approved by Teleste Annual General Meetings in 2004 and in 2007. The stock options have an average maturity of 6 years from the plan launch including a waiting period and a two-year share subscription period. Under the schemes outstanding at the end of the period the Annual General Meeting of shareholders has authorized Teleste Board of Directors to grant up to 1,140,000 options to the Group key employees or to Teleste subsidiary, which may be authorized to grant options further to the Group key personnel. The options are forfeited if the employee leaves the Group before the options vest. The options expire unless not distributed or exercised by the end of the share subscribtion period. Dilution effect of the new shares potentially subscribed with the outstanding stock options the after share capital increase currently amount to 5.4%, at maximum. Key characteristics and terms of the Teleste option schemes in operation at the end of the period are listed in the table below.

Basic information	Stock Options 2004		Stock Options 2007			Total
2009	2004A	2004B	2007A	2007B	2007C	
31.12.2009						
Annual General Meeting date	16.3.2004	16.3.2004	3.4.2007	3.4.2007	3.4.2007	
Grant date(s)	15.6.2004 4.4.2006 15.11.2006	15.6.2004 4.4.2006 15.11.2004	24.8.2007	15.10.2008	21.9.2009	
Maximum number of stock options	300 000	300 000	280 000	280 000	280 000	1 440 000
The number of shares subscribed by one option	1	1	1	1	1	
Initial exercise price*, EUR	5.98	6.59	12.89	6.94	3.57	
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	
Exercise price 31.12.2007	5.50	6.11	12.69	–	–	
Exercise price 31.12.2008	5.26	5.87	12.45	6.70	–	
Exercise price 31.12.2009 **	5.14	5.75	12.33	6.58	3.57	
Beginning of exercise period (vesting)	1.4.2007	1.4.2008	1.4.2010	1.4.2011	1.4.2012	
End of excercise period (expiration)	30.4.2009	30.4.2010	30.4.2012	30.4.2013	30.4.2014	
Maximum contractual life, years	5.1	6.1	5.1	6.1	7.1	
Remaining contractual life, years	expired	0.3	2.3	3.3	4.3	
Number of persons 31.12.2009	expired	vested	34	36	41	
Vesting conditions	Employment Share ownership requirement (for the management) Performance criteria (order intake, EBIT, ROCE and EPS)		Employment until beginning of exercise period			

* Share subscription price is the trade volume weighted average quotation of the Teleste share on the Helsinki Exchanges during April 2004 and April 2005 for the stock options 2004A and 2004B, respectively. Share subscription price for stock options 2007 is the volume weighted average price plus 10 % of Teleste share in NASDAQ OMX Helsinki Ltd during April 2007, April 2008 and April 2009 for the stock options 2007A, 2007B and 2007C, respectively.

** Share subscription price at the expiration if the stock options expired during the period.

Changes during the period 2009	Stock Options 2004			Stock Options 2007				Weighted average remaining life, years
	2004A	2004B	Weighted average exercise price in euros	2007A	2007B	2007C	Weighted average exercise price in euros	
1.1.2009								
Outstanding at the beginning of the period	248 100	253 900	5.57	251 000	275 000	0	9.44	
Changes during the period								
Granted	0	0	–	0	0	268 000	3.57	
Forfeited	0	0	–	12 000	12 000	0	9.46	
Exercised	0	0	–	0	0	0	–	
Expired	300 000	0	5.14	0	0	0	–	
Weighted average share price, euros ***	3.59	3.63		–	–	–		
31.12.2009								
Outstanding at the end of the period	0	253 900	5.75	239 000	263 000	268 000	7.32	2.62
Exercisable at the end of the period	0	253 900	5.75	0	0	0	–	

*** Weighted average price for Teleste share between 1 January and 30 April 2009 for stock options 2004A and between 1 January and 31 December 2009 for stock options 2004B, respectively.

Notes to the Consolidated Income Statement and Balance Sheet

Changes during the period 2008	Stock Options 2004			Stock Options 2007				Weighted average remaining life, years
	2004A	2004B	Weighted average exercise price in euros	2007A	2007B	2007C	Weighted average exercise price in euros	
1.1.2008								
Outstanding at the beginning of the period	248 100	253 900	5.81	260 000	0	0	12.69	
Changes during the period								
Granted	0	0	–	0	275 000	0	6.70	
Forfeited	0	0	–	9 000	0	0	12.45	
Exercised	0	0	–	0	0	0	–	
Expired	0	0	–	0	0	0	–	
Weighted average share price, euros ***	4.52	3.45		–	–	–		
31.12.2008								
Outstanding at the end of the period	248 100	253 900	5.57	251 000	275 000	0	9.44	2.38
Exercisable at the end of the period	248 100	253 900	5.57	0	0	0	–	

*** Weighted average price for Teleste share between 1 January and 31 December 2008 for stock options 2004A and between 1 April and 31 December 2008 for stock options 2004B, respectively.

The fair value of options have been determined at grant date and the fair value is expensed until vesting. The fair value of stock options have been determined by using Black-Scholes valuation model. Total fair value of the options granted during the period was EUR 0.455 million and the effect of all options on the Group's earnings during the period was EUR 0.284 million. The pricing of the options granted during the period was determined by the following inputs:

Options	Granted in 2009	Granted in 2008
Share price, euros	4.21	3.50
Exercise price, euros	3.57	6.70
Expected volatility, %*	43	32
Maturity, years	4.6	4.5
Risk-free rate, %	2.5	3.9
Expected dividends, euros	0	0
Valuation model	BS	BS
Expected forfeitures, %	10	10
Fair value, euros	454 791	106 907

* Expected volatility was determined by calculating the historical volatility of the Group's share using monthly observations over corresponding maturity.

1 000 euros	**2009**	2008
18 INTEREST-BEARING LIABILITIES		
Non-current		
Loans from financial institutions	11 500	0
Finance lease liabilities	737	1 175
Total	**12 237**	**1 175**
Current		
Loans from financial institutions	9 908	9 102
Finance lease liabilities, current portion	627	685
Total	**10 535**	**9 787**

Interest-bearing loans from financial institutions are carried at amortised cost and finance lease liabilities are carried at fair value.

The currency mix of the Group long-term interest-bearing liabilities was as follows:

1 000 euros	**31.12.2009**	**31.12.2008**
EUR	12 237	1 175
	12 237	1 175
Group long-term interest-bearing liabilities – interest rates are as follows:		
Finance lease liabilities	4.3%	4.6%
The currency mix of the Group short-term interest-bearing liabilities:		
EUR	100%	100%
	100%	100%
Group short-term interest-bearing liabilities – interest rates are as follows:		
Bank loans	2.0%	5.0%
Finance lease liabilities	4.3%	4.6%
Finance lease liabilities of the Group are payable as follows:		
Minimum lease payments		
Less than one year	678	746
Between one and five years	792	1 237
Total	1 470	1 983
Present value of minimum lease payments		
Less than one year	627	685
Between one and five years	737	1 175
Total	1 364	1 860
Future finance charges	106	123
Total finance lease liabilities	1 470	1 983

Notes to the Consolidated Income Statement and Balance Sheet

1 000 euros	Warranties	**Total**
19 PROVISIONS		
Balance at 1.1.2009	943	**943**
Provisions made during the year	596	**596**
Balance at 31.12.2009	1 539	**1 539**

	2009
Non-current	513
Current	1 026
Total	**1 539**

Warranties
The Group grants 12–36 months guarantees for its certain products. If defects are detected during the warranty period, the Group either repairs the product or delivers a comparable new product. The amount of the warranty provision is based on the past experience on defective products and an estimate of related expenses.

1 000 euros	**2009**	2008
20 TRADE AND OTHER CURRENT LIABILITIES		
Current		
Trade payables	9 493	6 579
Personnel, social security and pensions	5 493	3 562
Accrued interest expenses and other financial items	51	73
Other accrued expenses and deferred income	6 664	2 861
Advances	2 937	101
Other liabilities	7 734	2 788
Total	**32 372**	**15 964**

21 INCOME TAX PAYABLE FOR THE PERIOD

At the end of the period there was no material income tax payable on the profit for the period.

Financial Risk Management

The objective of the Group's financial risk management is to identify, evaluate and hedge financial risks to reduce the impacts of price fluctuations in financial markets and of other factors on earnings, balance sheet and cash flows as well as to guarantee cost-efficient funding for the Group at all times.

The Board has approved financial risk management guidelines and the allocation of responsibilities defined in the Group risk management policy and related operating policies covering specific areas. The Board oversees the Group's risk management framework. The Group's administration is responsible for the coordination and control of the Group's total financial risk position and external hedging transactions with banks in the name of the parent company. Teleste is risk averse in its treasury activities. The identification of the exposure is a common task of the business units and the Group administration.
The hedge accounting principles as defined in IAS 39 are applied in Teleste only for hedging the interest risk for specific long term loans. Financial risks comprise market, credit, liquidity and cash flow interest rate risk, which are discussed more in detail below.
The Group's exposure to price risk is low.

Market risk
Market risk includes three types of risk: currency risk, price risk and fair value interest rate risk. Fluctuations of foreign exchange rates, market prices or market interest rates may cause a change in the value of a financial instrument. These changes may have an effect on the consolidated earnings, balance sheet and cash flows.

Currency risk
Transaction risk
The Group's currency position is divided into the transaction position and net investments in foreign operations. Foreign exchange exposures of the Group's units arise from receivables and accounts payables denominated in foreign currency, sales and purchase contracts and from forecast sales and purchases. Major part of the Group's sales is in Euro. The most significant non-euro sales currencies are US dollar (accounts for 3 per cent of the net sales), Swedish and Norwegian crowns (11 per cent) and UK pound sterling (4 per cent). Significant part of expenses, 80 per cent, arise in euro and in US dollar almost 10 per cent. The hedging decisions are based on the expected net cash flow for the following six months.

Assets and liabilities in foreign currency translated at closing rate:

	2009				2008			
	USD	SEK	NOK	GBP	USD	SEK	NOK	GBP
Current assets	1 040	1 232	1 478	3 333	538	1 412	602	1481
Current liabilities	1 401	931	1 782	463	1 803	858	754	291

Cash flow hedges at 31.12.2009:

Currency position					
Currency	Exposure	Hedge	Net	Hedge instrument	Hedge
USD	1 066	938	128	Forward exchange contract	88%
SEK	1 531	1 502	29	Forward exchange contract	98%
NOK	1 883	1 566	317	Forward exchange contract	83%
GBP	3 383	3 019	364	Forward exchange contract	89%

Cash flow hedges at 31.12.2008:

Currency position					
Currency	Exposure	Hedge	Net	Hedge instrument	Hedge
USD	2 703	4 023	1 320	Forward exchange contract	149%
SEK	1 005	951	54	Forward exchange contract	95%
NOK	1 678	1 328	350	Forward exchange contract	79%
GBP	2 130	1 496	634	Forward exchange contract	70%

In principle Teleste hedges forecast and probable cash flows. The Group only uses forward exchange agreements. According to the Group's currency risk management policy all material currency risks are hedged at least six months ahead and the Group's transaction position shall at all times be hedged 80–100% by currency. The level of hedges is monitored on a monthly basis. Currency risk is also managed through, among others, operational planning, pricing and offer terms. Reprising interval varies between 3 and 24 months.

At the year-end 2009 the fair value of currency derivatives amounted to EUR 8.0 million (31 December 2008: EUR 9.1 million).

Translation risk
Since the Group's currency risk exposure regarding net investments in foreign operations is relatively low, the equity position, i.e. differences in the calculatory euro values of these amounts (translation risk) is not actively hedged. At 31 December 2009 the total non-euro-denominated equity of the Group's foreign subsidiaries amounted to 4.3 million euro (31 Dec. 2008: 5.2 million euro).

Sensitivity to market risk

Sensitivity to market risks arising from financial instruments as required by IFRS 7	**2009** Profit or Loss	2008 Profit or Loss
+–10% change in EUR/USD exchange rate	+–13	+–132
+–10% change in EUR/SEK exchange rate	+–3	+–5
+–10% change in EUR/NOK exchange rate	+–32	+–35
+–10% change in EUR/GBP exchange rate	+36	+–63

Fair value interest rate risk and cash flow interest rate risk
Teleste's interest rate risk mainly comprises cash flow interest rate risk that arises from the interest-bearing liabilities. The Group can have floating or fixed interest loans and use interest swap contracts to achieve financial objectives. At the end of the reporting period EUR 10,635 thousand have short-term interest as a reference rate. The interest period is of less than one year. During the period under review, the group withdrew a 3-year loan of EUR 11.5 million to finance the acquisitions in Germany. For this loan which is hedged by a 3 years interest swap contract, 2.6%, hedge accounting is applied. The change in the fair value of this hedging instrument, EUR –116 thousand, is recognised in equity. The fair value of the interest swap contract is EUR –157 thousand. All Group loans are denominated in euro. In 2009, the average interest rate of the loan portfolio was 2.0 per cent. All finance lease agreements are fixed-rate.

The Group does not hedge the risk position resulting from the fair value interest rate risk as the position is small. The average balances of the variable rate loans realized during the period have been used in calculating the sensitivity analysis required by IFRS 7. At the closing date 31 December 2009, the effect on variable rate interest-bearing liabilities on profit before taxes would have been EUR +–106 thousand had the interest rate increased or decreased by 1 percentage point.

Period in which repricing occurs	Within 1 year	Within 1 year–5 years	Over 5 years	**Total**
Financial instruments with floating interest rate				
Financial liabilities				
Loans from financial institutions	9 908			**9 908**
Financial instruments with fixed interest rate				
Financial liabilities				
Loans from financial institutions		11 500		**11 500**

Credit risk
The Group's accounts receivables are dispersed to a number of customers worldwide. Thus the primary responsibility for commercial credit risks lies with the Group's geographical areas. Commercial credit risks are managed in accordance with the Group's credit policy and are reduced for example with collaterals. Credit risks are approved and monitored by the Group management team.

The credit risk related to financial instruments, i.e. counterparty risk is managed in the Group administration. Counterparty risk realises if a counterparty is unable to meet its obligations. In order to minimise counterparty risks, Teleste seeks to limit the counterparties, such as banks and other financial institutions, to those which have good credit rating. Liquid funds are invested in liquid instruments with low credit risk, e.g. in short-term bank deposits and commercial papers.

All receivables are without collaterals. There are no significant concentrations of risk with respect to the receivables of the Group. Impairment losses on trade receivables are shown in note 5 Other operating expenses.

	2009			2008		
Analysis of trade receivables by age	Gross	Impairment loss	**Net**	Gross	Impairment loss	**Net**
Undue trade receivables	16 551			15 488		15 488
Overdue trade receivables						
1–30 days	3 704			2 352		2 352
31–60 days	807			1 673		1 673
Over 60 days	2 468	–1 386	1 082	2 618	–1 475	1 143
Total	**23 530**		**22 144**	**22 131**		**20 656**

The maximum exposure to credit risk at the reporting date was:	**2009**	2008
Loans and receivables	26 884	24 728
Available for sale financial assets	713	790

Liquidity risk
Liquidity risk is monitored through Group's cash flow forecasts. The Group seeks to reduce liquidity risk through sufficient cash reserves and credit facility arrangements as well as with balanced maturity profile of loans. Efficient cash and liquidity management also reduces liquidity risk. At the year-end 2009 the Group's cash reserves totaled EUR 12.5 million and its interest-bearing net debt EUR 22.8 million. The Group administration raises the Group's interest-bearing debt centrally. At 31 December 2009 Teleste had committed and available credit facilities as well as other agreed and undrawn loans amounting to EUR 19.5 million. Group's loan agreements and committed loan facilities include profitability and cash flow covenants.

The recognition and measurement principles applied to derivatives are described in the accounting principles for the consolidated financial statements. The nominal and fair values of derivatives at the balance sheet date are presented in the note Commitments and contingencies to the consolidated financial statements.

As of 31 December 2009, the contractual maturity of interest-bearing liabilities was as follows:

	2010	2011	2012	2013	2014
Loans from financial institutions	10 941	301	301	11 502	
Trade payables	9 493				
Finance lease liabilities	678	461	164	157	10
Forward exchange contracts					
Outflow	–8 043				
Inflow	7 802				
Other	51				

As of 31 December 2008, the contractual maturity of interest-bearing liabilities was as follows:

	2009	2010	2011	2012	2013
Loans from financial institutions	9 145				
Trade payables	6 579				
Finance lease liabilities	746	676	441	120	
Forward exchange contracts					
Outflow	–9 094				
Inflow	9 514				
Other	73				

Capital risk management

The Group's objective when managing capital is to secure the continuity of the business and to make investments possible with optimal capital structure. The capital structure of the Group is reviewed by the Board of Directors on a regular basis.

The Group monitors its capital on the basis of leverage ratio, the ratio of interest-bearing net debt to interest-bearing net debt, plus total equity. Interest-bearing net debt is calculated as borrowings less cash and cash equivalents. The Group's objective to maintain the leverage less than 50%.

The leverage ratio as of 31 December 2009 and 2008 was as follows:

	2009	2008
Total borrowings	22 772	10 962
Cash and cash equivalents	12 518	9 268
Interest-bearing net debt	10 254	1 694
Total equity	46 669	46 645
Interest-bearing net debt and total equity	56 923	48 339
Leverage ratio	18.0%	3.5%

22 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

All other financial assets and liabilities are measured at their fair values in the consolidated balance sheet except for the long-term bank loan, which is measured at amortised cost.

Derivative instruments
Teleste uses forward exchange contracts to hedge its balance sheet items against transaction risk. The changes in the fair values of forward exchange contracts designated as hedging instruments are fully recognised through profit and loss. The fair value changes of forward exchange contracts amounted to EUR –228 thousand in 2009 (2008: EUR 419 thousand) and they are recognised as adjustements to sales. Long term bank loans are hedged by a interest swap contract. For this interest swap contract Teleste apply hedge accounting. The fair value changes of interest swap contracts amounted to EUR –157 thousand of which EUR –116 thousand is entered in the total comprehensive income. The currency exchange contracts and interest swap contracts are in level 2.

Available-for-sale financial assets
Available-for-sale financial assets comprise unlisted shares that are measured at cost. They are in level 3. The fair value of these investments could not be determined reliably and the estimate fluctuates significantly or the probabilities within the range of different estimates are not reasonably determinable to be used to estimate the fair value.

Finance lease liabilities
The fair values of finance lease liabilities are based on the discounted future cash flows. The discount rate used is the market interest rates for homogeneous lease agreements.

Trade and other payables or receivables
For trade payables and other receivables than those arising from derivative instruments the notional amount equals their fair value as the discounting has no material effect considering the short maturity of these items.

Following discount rates were used for determining fair value:

	2009	2008
Finance lease liabilities	4.3%	4.6%

Carrying amounts of financial assets and liabilities by measurement categories

	Note	Financial assets and liabilities at fair value through income statement	Loans and receivables	Available for sale financial assets	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value
2009 Balance item							
Non-current financial assets							
Other financial assets	12			713		713	713
Current financial assets							
Trade and other receivables	15		22 144			22 144	22 144
Carrying amount by category		0	22 144	713	0	22 857	22 857
Non-current financial liabilities							
Interest-bearing liabilities	18	737			11 500	12 237	12 237
Current financial liabilities							
Interest-bearing liabilities	18	627			9 908	10 535	10 535
Forward exchange contracts	25	228				228	228
Interest swap contracts	25	157				157	157
Trade and other payables	20				9 493	9 493	9 493
Other current liabilities	20				51	51	51
Carrying amount by category		1 769	0	0	30 952	32 721	32 721
2008 Balance item							
Non-current financial assets							
Other financial assets	12			783		783	783
Current financial assets							
Trade and other receivables	15		24 728			24 728	24 728
Forward exchange contracts	25	419				419	419
Carrying amount by category		419	24 728	783	0	25 930	25 930
Non-current financial liabilities							
Interest-bearing liabilities	18	1 175				1 175	1 175
Current financial liabilities							
Interest-bearing liabilities	18	685			9 102	9 787	9 787
Trade and other payables	20				6 579	6 579	6 579
Other current liabilities	20				73	73	73
Carrying amount by category		1 860	0	0	15 754	17 614	17 614

1 000 euros	**2009**	2008
23 ADJUSTMENTS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Non-cash transactions:		
Depreciation and amortisation	5 582	4 705
Impairment loss	800	0
Employee benefits	284	250
Total	**6 666**	**4 955**
24 OPERATING LEASES		
Group as lessee		
Minimum lease payments on non-cancellable operating leases are payable as follows:		
Less than one year	898	1 054
Between one and five years	1 345	1 179
Total	2 243	2 233

The Group leases factory and office facilities outside Finland under operating leases. The leases typically run for a period of 2–5 years, normally with an option to renew the lease after that date. According to the index clauses of the leases, lease payments are increased every two years. From 2008 figures leasing liabilites for machines have been deducted.

The Group has sublet part of its production and office property in Finland to an external company. The agreeement is valid until further notice. In 2009 the lease payments in respect of this part of property amounted to EUR 117 thousand (2008: EUR 118 thousand).

1 000 euros	**2009**	2008
25 COMMITMENTS AND CONTINGENCIES		
Collateral for own commitments		
Other commitments	120	259
Rental and leasing liabilities		
Rental liabilities	2 243	2 233
Lease liabilities	3 773	1 466
Currency derivatives		
Value of the underlying forward contracts	8 043	9 094
Market value of the forward contracts	–228	419
Interest swap contracts		
Value of the underlying interest swap contracts	11 500	0
Market value of intersest swap contracts	–157	0

26 RELATED PARTY TRANSACTIONS

Teleste Group has related party relationships with its Board members and CEO.

Companies owned by the Group and parent company	Group holding, %	Group voting, %
Parent company Teleste Oyj, Turku, Finland		
Antel GmbH, Munich, Germany	100	100
AVC Systemhaus GmbH, Cottbus, Germany	100	100
Cableway AG, Bergisch Gladbach, Germany	75	75
DINH TechniCom S.A., Herstal, Belgium	100	100
DINH TeleCom S.A., Herstal, Belgium	100	100
DINH Vlaanderen NV, Herstal, Belgium	100	100
Flomatik A/S, Porsgrun, Norway	100	100
Flomatik Network Services Ltd., Fareham, UK	100	100
Kaavisio Oy, Turku, Finland	100	100
MKS MediaKom Service Volker Meyer GmbH, Bergisch Gladbach, Germany	100	100
MKS Nord GmbH & Co. KG, Bergisch Gladbach, Germany	100	100
MKS West GmbH & Co. KG, Bergisch Gladbach, Germany	100	100
MKS Mitte GmbH & Co. KG, Bergisch Gladbach, Germany	100	100
MKS Cyber Optic GmbH & Co. KG, Bergisch Gladbach, Germany	100	100
MKS Management GmbH, Bergisch Gladbach, Germany	100	100
Ortikon Interactive Oy, Tampere, Finland	100	100
Promacom AB, Stockholm, Sweden	100	100
Suomen Turvakamera Oy, Vantaa, Finland	100	100
Teleste Incentive Oy (former Suomen Yhteisantennit Oy), Turku, Finland	100	100
Teleste Belgium SPRL, Brussels, Belgium	100	100
Teleste d.o.o., Ljutomer, Slovenia	100	100
Teleste Electronics (SIP) Co., Ltd, Shuzhou, China	100	100
Teleste France SAS, Paris, France	100	100
Teleste Försäljning AB, Malmö, Sweden	100	100
Teleste GmbH, Hannover, Germany	100	100
Teleste India Pvt. Ltd., Mumbai, India	100	100
Teleste Kaurakatu Oy, Turku, Finland	100	100
Teleste LLC, Georgetown Texas, USA	100	100
Teleste Services GmbH, Hildesheim, Germany	100	100
Teleste s.r.o., Bratislava, Slovakia	100	100
Teleste Sweden AB (former Flomatik AB), Stockholm, Sweden	100	100
Teleste UK Ltd, Cambridge, UK	100	100
Teleste Video Networks AB (former S-Link AB), Täby, Sweden	100	100
Teleste Video Networks Sp zoo (former S-Link ssp), Krakow, Poland	100	100
Young-Net GmbH, Oberhonnefeld, Germany	100	100

The key management personnel compensations

1 000 euros	**2009**	2008
CEO		
Salaries and other short-term benefits	311	360
Share-based payments	48	59
Total	359	419

During 2009 40,000 options were granted to the management of Teleste (2008: 40,000 options).

The terms of the management share option plans are similar to those of other employees' share option plans, except for the terms of 2004 and 2007 options. According to the 2004 and 2007 option terms the recipient has to subscribe Teleste shares to the amount that equals his net annual salary. At 31 December 2009 management had 160,000 (2008: 160,000) options, of which 0 were exercisable (2008: 0). Management of the parent company has 0.56% or 98,956 of the parent company's shares (2008: 0.92% or 163,891 shares).

A voluntary pension fee for CEO amounted EUR 71 thousand (EUR 60 thousand in 2008).

1 000 euros	**2009**	2008
Remuneration to Board members and Managing Director		
Chairman of the Board	38	43
Members of the Board	123	136
CEO	359	419
Total	**520**	**597**

The contractual age of retirement of CEO of the parent company, Jukka Rinnevaara, is 60. As to the contract, his term of notice has been specified as six (6) months in case the President and CEO decides to withdraw, and eighteen (18) months should the contract be terminated by the company. A fixed remuneration for the Board is paid as shares of the company in accordance with the decision of the Annual General Meeting. Remuneration of Board Meetings are paid in cash.

No cash loans were granted to nor commitments assumed or collaterals given regarding CEO or the members of the Board of Directors in 2009 and 2008.

27 SUBSEQUENT EVENTS

The Group management is not aware of any significant events occurred after the balance sheet date, which would have had an impact on the financial statements.

Statement of Income

1 000 euros	Note	**2009**	2008
Net sales	1	**50 403**	**77 262**
Change in inventories of finished goods		–2 348	–2 782
Other operating income	2	4 649	2 175
Materials, supplies and services	3	–18 648	–32 479
Wages, salaries and social expenses	4	–17 826	–22 095
Depreciation and amortisation	5	–764	–1 763
Other operating expenses		–15 926	–19 096
Operating profit		**–459**	**1 222**
Financial income and expenses	6	357	2 077
Profit before extraordinary items		**–102**	**3 299**
Extra ordinary items	7	–450	0
Profit before taxes		**–552**	**3 299**
Appropriations	8	–49	595
Direct taxes	9	–103	1 412
Profit for the financial period		**–703**	**5 306**

Balance Sheet

1 000 euros	Note	**2009**	2008
ASSETS			
Non-current assets			
Intangible assets	10	0	52
Property, plant and equipment	10	5 771	3 522
Long-term receivables	11	24 726	1 380
Investments	12	21 319	21 504
		51 817	**26 458**
Current assets			
Inventories	13	4 208	7 746
Trade and other receivables	14	11 687	19 279
Cash and cash equivalents	15	5 315	6 913
		21 211	**33 938**
Total assets		**73 028**	**60 396**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	16	6 967	6 967
Share premium	16	1 504	1 504
Invested non-restricted equity	16	2 737	1 451
Retained earnings	16	22 384	19 113
Profit for the financial period	16	–703	5 306
		32 888	**34 341**
Appropriations	8	**502**	**452**
Provisions	17	**759**	**855**
Liabilities			
Long-term liabilities	18	11 500	0
Short-term liabilities	17	27 379	24 748
		38 879	**24 748**
Total equity and liabilities		**73 028**	**60 396**

Cash Flow Statement

1 000 euros	**2009**	2008
Cash flow from operations		
Operating profit	–459	1 222
Adjustments to operating profit	668	1 729
Change in net working capital	11 986	3 749
Interest income	823	211
Interest expenses	–556	–585
Dividend income	877	2 544
Paid group contribution	–450	0
Other financial items	12	–293
Taxes paid	223	880
Cash flow from operations	**13 124**	**9 457**
Investments		
Payment of other tangible assets	–3 021	–303
Sale of other tangible assets	500	0
Sale of shares	0	220
Long term receivables	–21 796	–1 280
Investments in subsidiary shares	–605	–378
Cash flow from investments	**–24 923**	**–1 741**
Cash flow before financing	**–11 799**	**7 716**
Financing		
Short-term liabilities	1 000	2 000
Long-term liabilities	11 500	0
Paid dividends	–2 035	–4 158
Purchases of own shares	–264	–1 386
Share issue	0	249
Financing total	**10 201**	**–3 295**
Change in liquid funds	**–1 598**	**4 421**
Liquid funds 1.1.	6 913	2 492
Liquid funds 31.12.	5 315	6 913

Accounting Principles of Teleste Corporation

Teleste Corporation is the parent company of the Teleste Group. Business ID of Teleste Corporation is 1102267-8 with registered office in Turku. The company registered address is Seponkatu 1, 20660 Littoinen.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction. At the end of the accounting period, unsettled foreign currency balances are translated into the accounting currency at the closing rate on the balance sheet date. Foreign exchange gains and losses on trade accounts receivable and payable are adjusted to revenues and operating expenses, respectively. Other foreign exchange gains and losses are recorded as financial income and expenses.

Derivatives

The company has currency forward exchange agreements. Exchange agreements are designed to eliminate the effect of currency exposures on the company performance and financial standing. The interest swap agreements are taken for specific long-term floating interest loans to eliminate the interest risk.

Our corporate hedging policy is to cover all material currency risks at least six months ahead. The effect on company performance of the exchange rate agreements is recorded on their exercise day.

Valuation of Fixed Assets

The balance sheet values for fixed assets are stated as historical cost, less the accumulated depreciation and amortisation. Depreciation and amortisation is calculated on straight-line basis over the expected useful lives of the assets. Estimated useful lives for various assets are:

Intangible assets .... 3 years
Goodwill .... 10 years
Other capitalised expenditure .... 3 years
Buildings .... 25 to 33 years
Machinery .... 3 to 5 years
Computers .... 0 to 3 years

Write-downs on permanent impairment of the assets are recorded when it becomes evident that the carrying amount is not recoverable. Companies acquired or established during the financial period are included in the subsidiary shares as of date of acquisition or formation. Companies disposed of in the financial period have been included in the subsidiary shares up to the date of disposal. Long-term investments and receivables include financial assets, which are intended to be held for over one year.

Leased Assets

Purchases made under operating leases and capital leases are entered into income statement as renting expenses.

Inventories

Inventories are stated at the lower of cost or net realisable value. Acquisition cost is determined using the first-in-first-out (FIFO) method. In addition to variable expenditure, value of inventory includes their share of the fixed expenditure under purchases and manufacturing.

Cash

Cash and cash equivalents include cash in hand and in bank. Short-term investments include other funds equivalent to cash, such as commercial papers.

Net Sales

Net sales include revenue from services rendered and goods sold, adjusted for discounts granted, sales-related taxes and effects of the translation differences. Revenue is recognised when services are rendered, or when the goods are delivered to the customer.

Percentage of completion method: sales and anticipated profits under significant long-term engineering and construction contracts are recorded on a percentage-of-completion basis, using units of delivery (based on predetermined milestones) or the cost-to-cost method of accounting as the measurement basis. Estimated contract profits are recorded in earnings in proportion to recorded sales. In the cost-to-cost method, sales and profits are recorded after considering the ratio of accumulated costs to estimated total costs to complete each contract. In the event that the company can be held as the main contractor of a long-term delivery contract, various product expenses, including raw materials and labour costs, will be accounted for in the calculation of the completion percentage. Possible changes in the anticipated total expenses or loss related to a long-term delivery contract are expensed as incurred.

Research and Development

R&D expenses are recorded as revenue expenditure.

Pension Arrangements

The statutory pension liabilities of Finnish subsidiaries in the company are funded through pension insurance.

Income Taxes

Income tax includes tax on profit for the current financial period and the accrual adjustment for the preceding financial period.

Treasury shares

Treasury shares acquired by the Group are not included in balance. As to this, final accounts for the year of comparison have been adjusted by eliminating the value of treasury shares from the company fixed assets and the equity. This adjustment is based on an amendment of the Finnish accounting legislation. Use of own shares are recognised in invested non-restricted equity since 3 April 2007.

1 000 euros	2009	2008
1 NET SALES		
Net sales by segments		
Broadband Cable Networks	40 144	67 422
Video Networks	10 259	9 840
Total	**50 403**	**77 262**
Net sales by market area		
Finland	9 826	8 013
Nordic countries	9 758	11 332
Other Europe	25 773	52 990
Others	5 046	4 927
Total	**50 403**	**77 262**
2 OTHER OPERATING INCOME		
R&D subvention and others	4 649	2 175
Total	**4 649**	**2 175**
3 MATERIALS, SUPPLIES AND SERVICES		
Purchases	17 496	31 110
Change in inventories	1 191	118
	18 687	**31 228**
Purchased services	–39	1 251
Total	**18 648**	**32 479**
4 PERSONNEL EXPENSES		
Wages and salaries	14 650	18 366
Pension costs	2 151	2 483
Other personnel costs	1 026	1 247
Total	**17 826**	**22 095**
Remuneration to Board members and Managing Directors	471	538

Cash loans, securities or contingent liabilities were not granted to the President or to the members of the Board of Directors.

Year-end personnel	399	444
Average personnel	421	472
Personnel by function at the year-end		
Research and Development	117	149
Production and Material Management	228	228
Sales and marketing	26	39
Administration	28	28
Total	**399**	**444**

1 000 euros	2009	2008
5 DEPRECIATION ACCORDING TO PLAN		
Other capitalized expenditure	323	411
Buildings	173	303
Machinery and equipment	215	296
Goodwill on consolidation	52	753
Total	**764**	**1 763**
6 FINANCIAL INCOME AND EXPENSES		
Interest income	11	89
Interest income from Group companies	811	122
Interest expenses	–452	–476
Interest expenses to Group companies	–104	–109
Loss on investment	–800	0
Currency differences	26	–220
Other financial income and expenses	–13	127
Dividend income from Group companies	876	2 534
Dividend income	2	10
Total	**357**	**2 077**
7 EXTRA ORDINARY ITEMS		
Paid group contribution	450	0
8 APPROPRIATIONS AND DEFERRED TAX ASSETS AND LIABILITIES IN THE PARENT COMPANY		
Change in accumulated depreciation difference		
Buildings	–49	323
Other capitalized expenditure	0	272
Total	**–49**	**595**
Accumulated depreciation in excess of plan	502	452
9 INCOME TAXES		
Direct taxes	27	32
Taxes from previous years	76	–1 444
Total	**103**	**–1 412**

10 TANGIBLE AND INTANGIBLE ASSETS

		Tangible assets				
	Intangible rights	Land	Buildings	Machinery	Other capitalized expenditure	**Total**
Acquisition cost 1.1.	**7 579**	124	5 274	8 510	3 649	**17 557**
Increases	0	0	2 994	3	110	**3 107**
Decreases	0	–25	–232	156	–46	**–147**
Acquisition cost 31.12.	**7 579**	99	8 036	8 669	3 713	**20 517**
Accumulated depreciation 1.1.	**7 527**	0	2 847	8 157	3 031	**14 035**
Depreciation	52	0	173	215	323	**711**
Accumulated depreciation 31.12.	**7 579**	0	3 020	8 372	3 354	**14 746**
Book value 31.12.2009	**0**	**99**	**5 016**	**297**	**359**	**5 771**
Book value of machinery and equipment 31.12.2009			149			
Book value of machinery and equipment 31.12.2008			268			

1 000 euros	2009	2008
11 LONG-TERM RECEIVABLES		
Subordinated loan from group company	1 600	1 300
Other long term receivables from group companies	23 126	0
Other long term receivables	0	80
Total	**24 726**	**1 380**

12 INVESTMENTS

Parent Company	Shares in group companies	Shares others	Total
Acquisition cost 1.1.	21 405	784	22 189
Increase	685	–70	615
Acquisition cost 31.12.	**22 090**	**714**	**22 804**
Accumulated depreciation 1.1.	–685	0	–685
Impairment	–800	0	–800
Accumulated depreciation 31.12.	**–1 485**	**0**	**–1 485**
Book value 31.12.2009	**20 605**	**714**	**21 319**

13 INVENTORIES	**2009**	2008
Raw materials and consumables	1 075	2 266
Work in progress	2 290	3 160
Finished goods	842	2 320
Total	**4 208**	**7 746**
14 CURRENT ASSETS		
Accounts receivables	8 373	13 737
Accounts receivables from Group companies	2 071	2 133
Other receivables from Group companies	170	877
Accrued income	1 073	2 532
Total	**11 687**	**19 279**
15 LIQUID FUNDS		
Cash and cash equivalents	**5 315**	**6 913**
16 CHANGES IN SHAREHOLDERS' EQUITY		
Share capital 1.1.	6 967	6 967
Share capital 31.12.	6 967	6 967
Share premium fund 1.1.	1 504	1 504
Share premium fund 31.12.	1 504	1 504
Invested non-restricted equity 1.1.	1 451	2 531
Share issues	0	249
Purchases of own shares	–264	–1 386
Own shares conveyed	1 550	56
Invested non-restricted equity 31.12.	2 737	1 451
Retained earnings 1.1.	24 419	23 271
Dividends	–2 035	–4 158
Retained earnings 31.12.	22 384	19 113
Profit for the financial period	–703	5 306
Accumulated profit 31.12.	21 681	24 419
Total	**32 888**	**34 341**
Company's distributable equity 31.12.	24 418	25 869

Company's registered share capital consists of one serie and is divided into 17,805,590 shares at 1 vote each.

Notes to the Parent Company Income Statement and Balance Sheet

1 000 euros	2009	2008
17 OBLIGATORY PROVISIONS		
Provision for guarantees	**759**	**855**
18 LONG TERM LIABILITIES		
Bank loans	**11 500**	**0**
19 SHORT TERM LIABILITIES		
Bank loans	10 000	9 000
Accounts payables	2 950	4 267
Accounts payables from Group companies	980	262
Other current liabilities	340	893
Other current liabilities from Group companies	7 090	5 290
Accrued liabilities	6 019	5 035
Total	**27 379**	**24 748**
20 CONTINGENT LIABILITIES AND PLEDGED ASSETS		
Leasing liabilities		
For next year	784	520
For later years	854	702
Total	**1 638**	**1 222**
Rental liabilities	**1 832**	**1 792**
Liabilities on own behalf		
Bank guarantees	0	0
Guarantees given on behalf of subsidiaries	0	0
21 CURRENCY DERIVATES		
Value of underlying forward contracts	6 815	7 367
Market value of forward contracts	–266	424

Forward contracts are used only for hedging currency exchange risks.

	Group's share, %	Parent company's share, %
22 COMPANIES OWNED BY THE GROUP AND PARENT COMPANY		
Antel GmbH, Munich, Germany	100	0
AVC Systemhaus GmbH, Cottbus, Germany	100	0
Cableway AG, Bergisch Gladbach, Germany	75	12.5
DINH TechniCom S.A., Herstal, Belgium	100	100
DINH TeleCom S.A., Herstal, Belgium	100	0
DINH Vlaanderen NV, Herstal, Belgium	100	0
Flomatik A/S, Porsgrun, Norway	100	100
Flomatik Network Services Ltd., Fareham, UK	100	100
Kaavisio Oy, Turku, Finland	100	100
MKS MediaKom Service Volker Meyer GmbH, Bergisch Gladbach, Germany	100	0
MKS Nord GmbH & Co. KG, Bergisch Gladbach, Germany	100	0
MKS West GmbH & Co. KG, Bergisch Gladbach, Germany	100	0
MKS Mitte GmbH & Co. KG, Bergisch Gladbach, Germany	100	0
MKS Cyber Optic GmbH & Co. KG, Bergisch Gladbach, Germany	100	0
MKS Management GmbH, Bergisch Gladbach, Germany	100	0
Ortikon Interactive Oy, Tampere, Finland	100	100
Promacom AB, Stockholm, Sweden	100	100
Suomen Turvakamera Oy, Vantaa, Finland	100	100
Teleste India Pvt. Ltd., Mumbai, India	100	100
Teleste Incentive Oy (former Suomen Yhteisantennit Oy), Turku, Finland	100	100
Teleste Belgium SPRL, Brussels, Belgium	100	100
Teleste d.o.o., Ljutomer, Slovenia	100	100
Teleste Electronics (SIP) Co., Ltd, Shuzhou, China	100	100
Teleste France SAS, Paris, France	100	100
Teleste Försäljning AB, Malmö, Sweden	100	100
Teleste GmbH, Hannover, Germany	100	100
Teleste Kaurakatu Oy, Turku, Finland	100	100
Teleste LLC, Georgetown Texas, USA	100	100
Teleste Services GmbH, Hildesheim, Germany	100	100
Teleste s.r.o., Bratislava, Slovakia	100	100
Teleste Sweden AB (former Flomatik AB), Stockholm, Sweden	100	100
Teleste UK Ltd, Cambridge, UK	100	100
Teleste Video Networks AB (former S-Link AB), Täby, Sweden	100	100
Teleste Video Networks Sp zoo (former S-Link ssp), Krakow, Poland	100	100
Young-Net GmbH, Oberhonnefeld, Germany	100	0

23 OWN SHARES

	Number of shares	Nominal value, EUR	Percentage of share capital and votes
Teleste Oyj owns own shares 31.12.2009	0	0	0.00

24 SHARES AND OWNERS

	Number of shares	Percentage of share capital and votes
Major shareholders 31.12.2009		
EM Group Oy	3 617 552	20.32
Mandatum Life	1 679 200	9.43
Ilmarinen Mutual Pension Insurance Company	894 776	5.03
Kaleva Mutual Insurance Company	824 641	4.63
Aktia Capital Mutual Fund	524 200	2.94
Varma Mutual Pension Insurance Company	521 150	2.93
The State Pension Fund	500 000	2.81
Skagen Vekst Verdipapierfond	437 000	2.45
FIM Fenno Mutual Fund	401 342	2.25
Teleste Incentive Oy	379 985	2.13

Shareholders by number of shares 31.12.2009

Sector Dispersion of Shareholders	Number of shares	Percentage of total shares
Corporations	5 577 581	31.32
Financial and insurance corporations	3 288 681	18.47
Public institutions	2 172 976	12.20
Non-profit organizations	569 055	3.20
Private individuals	4 471 934	25.12
Foreign and nominee-registered	1 725 363	9.69
Total	**17 805 590**	**100.00**

Number of shares	Owners	%	Shares	%
1–100	1 206	22.16	85 172	0.47
101–1 000	3 209	58.98	1 334 199	7.49
1 001–10 000	926	17.02	2 600 455	14.6
10 001–100 000	82	1.50	2 015 851	11.32
100 001–1 000 000	15	0.27	6 473 161	36.35
1 000 001–	2	0.03	5 296 752	29.74
Total	**5 440**	**100.00**	**17 805 590**	**100.00**

Management interest

	Number of shares	Percentage of shares	Percentage of votes
CEO and Board Members	98 956	0.56	0.56

Option programs

Number of shares entitled to subscribe with options

	Number of shares	Number of shares and votes after exercised options, %
CEO	160 000	0.84
Other option holders	833 900	4.40
2004 program warrants hold by the group	46 100	0.24
2007 program warrants hold by the group	100 000	0.53
Total	**1 140 000**	**6.02**

Audit expenses	**2009**	2008
Auditing assignments	39	39
Tax consultancy	43	65
Other assignments	36	59

Proposal for the Distribution of Earnings

Board of Directors' Proposal for the Distribution of Earnings

The parent company's distributable equity as of 31 December 2009 stood at EUR 24,416,863.89. As to the Annual General Meeting scheduled for 9 April 2010, the Board proposes that a dividend of EUR 0.08 per share be paid for the outstanding shares for the year 2009.

Helsinki 2 February 2010

Teleste Corporation
Board of Directors

Marjo Miettinen Chairman	Pertti Ervi Member	Tero Laaksonen Member
Pertti Raatikainen Member	Kai Telanne Member	Petteri Walldén Member

Jukka Rinnevaara
CEO

The Auditor's Note

Our auditors report has been issued today.

Helsinki 2 February 2010

Esa Kailiala
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of Teleste Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Teleste Oyj for the year ended on 31 December, 2009. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 2.2.2010

KPMG OY AB

Esa Kailiala
Authorised Public Accountant

Financial Indicators 2005–2009	IFRS 2005	IFRS 2006	IFRS 2007	IFRS 2008	IFRS 2009
Profit and loss account, balance sheet					
Net sales, Meur	82.6	101.8	125.1	108.7	141.7
Change %	25.1	23.2	22.9	–13.1	30.3
Sales outside Finland, %	89.3	90.6	91.2	90.2	91.8
Operating profit, Meur	8.6	9.8	13.2	5.6	2.5
% of net sales	10.4	9.6	10.5	5.2	1.8
Profit after financial items, Meur	8.3	9.3	12.7	5.1	1.4
% of net sales	10.1	9.1	10.1	4.7	1.0
Profit before taxes, Meur	8.3	9.3	12.7	5.1	1.4
% of net sales	10.1	9.1	10.1	4.7	1.0
Profit for the financial period, Meur	6.0	6.9	9.4	5.5	0.4
% of net sales	7.2	6.8	7.5	5.1	0.3
R&D expenditure, Meur	8.6	9.8	13.1	13.5	10.8
% of net sales	10.5	9.7	10.5	12.4	7.6
Gross investments, Meur	4.1	6.2	12.3	3.9	25.2
% of net sales	4.9	6.1	9.8	3.6	17.8
Interest bearing liabilities, Meur	3.9	8.0	9.5	11.0	22.8
Shareholder's equity, Meur	32.4	37.7	46.7	46.6	46.7
Total assets, Meur	54.8	68.2	77.9	75.5	110.1
Personnel and orders					
Average personnel	546	608	681	702	1 103
Order backlog at year end, Meur	22.7	28.1	21.5	24.0	33.1
Orders received, Meur	85.4	107.2	118.5	118.6	151.0
Key metrics					
Return on equity, %	19.8	19.7	22.2	11.8	0.9
Return on capital employed, %	23.7	24.3	27.1	10.4	3.3
Equity ratio, %	59.1	55.3	60.2	61.7	43.6
Gearing, %	–14.3	3.2	3.8	3.6	22.0
Earnings per share, EUR	0.35	0.41	0.55	0.32	0.02
Earnings per share fully diluted, EUR	0.33	0.38	0.52	0.32	0.02
Shareholders equity per share, EUR	1.92	2.22	2.69	2.74	2.68
Teleste share					
Highest price, EUR	8.35	12.75	12.34	7.49	4.30
Lowest price, EUR	5.85	6.46	6.47	1.90	2.25
Closing price, EUR	7.45	11.63	6.71	2.24	3.72
Average price, EUR	6.97	9.83	10.10	4.52	3.62
Price per earnings	21.0	28.6	12.3	7.0	137.8
Market capitalization, Meur	129.2	202.2	118.6	39.9	66.2
Stock turnover, Meur	75.3	138.9	72.4	51.1	28.5
Turnover, number in millions	10.8	14.2	7.2	11.5	7.8
Turnover, % of capital stock	62.3	81.4	40.5	64.6	44.0
Average number of shares	17 339 752	17 363 102	17 494 435	17 708 782	17 805 590
Number of shares at the year-end	17 339 752	17 389 302	17 671 305	17 805 590	17 805 590
Average number of shares, diluted w/o own shares	18 001 437	18 022 505	17 971 752	17 372 555	17 229 154
Number of shares at the year-end, diluted w/o own shares	18 004 752	18 034 752	17 972 785	17 039 399	17 425 605
Paid dividend, Meur	2.7	3.4	4.2	2.0	1.4
Dividend per share, EUR	0.16	0.20	0.24	0.12	*0.08
Dividend per net result, %	45.7	49.1	43.9	37.4	331.3
Effective dividend yield, %	2.1	1.7	3.6	5.4	2.2

* The Board's proposal to the AGM

Calculation of Key Figures

Return on equity: $\dfrac{\text{Profit/loss for the financial period}}{\text{Shareholders' equity (average)}} \times 100$

Return on capital employed: $\dfrac{\text{Profit/loss for the period after financial items + financing charges}}{\text{Total assets – non-interest-bearing liabilities (average)}} \times 100$

Equity ratio: $\dfrac{\text{Shareholders' equity}}{\text{Total assets – advances received}} \times 100$

Gearing: $\dfrac{\text{Interest bearing liabilities – cash in hand and in bank – interest bearing assets}}{\text{Shareholders' equity}} \times 100$

Earnings per share: $\dfrac{\text{Profit for the period attributable to equity holder of the parent}}{\text{Weighted average number of ordinary shares outstanding during the period}}$

Earnings per share, diluted: $\dfrac{\text{Profit for the period attributable to equity holder of the parent (diluted)}}{\text{Average number of shares – own shares + number of options at the period-end}}$

Equity per share: $\dfrac{\text{Shareholders' equity}}{\text{Number of shares – number of own shares at year-end}}$

Price per earnings (P/E): $\dfrac{\text{Share price at year-end}}{\text{Earnings per share}}$

Effective dividend yield: $\dfrac{\text{Dividend per share}}{\text{Share price at year-end}}$

THE MILLAU VIADUCT is an enormous cable-stayed road-bridge that spans the valley of the river Tarn near Millau in southern France and is a part of the A75-A71 autoroute axis from Paris to Montpellier. It is the tallest vehicular bridge in the world, with one mast's summit at 343 meters.

Teleste delivered CFO modems to transmit video from the cameras to the control center. The customer was looking for ultra reliable products since some of them are installed close to the cameras on the pillars. The videos are used not only to take a look at vehicles but also to check some important points of the structure security; for that reason, a very high quality was mandatory.

The bridge won the 2006 IABSE Outstanding Structure Award.

Shares and Shareholders

Teleste is in favour of an open corporate culture based on communication. We also wish to be reachable to our investors. Our communication aims at providing the capital market with correct and relevant information supporting the value formation of the company share.

Shares and Shareholders

Investor Relations

CEO, Mr. Jukka Rinnevaara is in charge of investor relations. In addition to the CEO, the top management of the company is committed to serving various parties of the capital market. Teleste meets investors, analysts and representatives of the media in news conferences set up in connection with releases of financial reports.

Objectives and Principles

Our communication aims at providing the capital market with correct and relevant information, which supports the value formation of the company share.

The principles guiding Teleste's communication policies include up-to-dateness, truthfulness and simultaneity. Corner stones of our regular financial communications also include coherence of the released information and continuity. For all meetings, any specified information involving corporate strategy and development is based on previously published data.

Contact Information

Jukka Rinnevaara, CEO
Phone +358 2 2605 611, fax. +358 2 2605 812

Tiina Vuorinen, Investor Relations and Press Office
Phone +358 2 2605 609, fax. +358 5 2605 812

Email: investor.relations@teleste.com

Share Basics

Teleste Corporation is listed on the OMX NASDAQ Helsinki Ltd in the Information Technology sector. In 2009, the company was included in the small cap segment.

Teleste has one series of shares. In Annual General Meeting each share carries one vote and confers an equal right to a dividend. The company shares are included in the book-entry securities system.

Facts about the share:
Listed on 30.3.1999
ISIN code FI0009007728
Trading code TLT1V
Reuter's ticker symbol .... TLT1V. HE
Bloomberg ticker symbol .... TLT1V FH

12 months high 4.30
12 months low 2.25
All-time high (7.9.2000) .... EUR 39.00
All-time low (12.12.2008) .... EUR 1.90

Financial Information

Teleste has formulated a Disclosure Policy, which complies with the Finnish law and with rules and regulations specified by Financial Supervisory Authority and NASDAQ OMX Helsinki Ltd. This Disclosure Policy defines the principles and procedures by which Teleste Corporation communicates with the capital market. The policy was approved by Teleste's Board of Directors in 2009.

Teleste exercises a Silent Period of two weeks preceding publication of financial statements and interim reports. During these periods Teleste will not participate in any meetings with investors or analysts and Group representatives are not allowed to comment upon company results.

Annually, Teleste releases the Financial Statement bulletin, Annual Report and three Interim Reports. These publications including the stock exchange releases are available in Finnish and English at the company's website.

The releases are available for subscription by direct email at the website under News Service.

Financial Releases in 2010
Interim Report, January–March 28.4.2010
Interim Report, January–June 21.7.2010
Interim Report, January–September 27.10.2010
Financial Statements 2.2.2011

Printed Annual Report for the year 2009 will be delivered to those shareholders with a holding equal to at least 1,000 company shares and who are registered with Euroclear Finland Ltd.

Changes in Shareholders' Contact Information

Shareholder postings are carried out based on the information in the shareholder's register kept by Euroclear Finland Ltd.

Shareholders are kindly requested to inform the custodian of their book-entry account of any changes in contact details.

In the event Euroclear Finland Ltd acts as the account operator, any changes will be notified to the address:

Euroclear Finland Ltd
P.O. Box 1110
FI-00101 Helsinki, Finland
Street address: Urho Kekkosen katu 5 c
Telephone: +358 20 770 6000
Email: info.finland@euroclear.eu

Analyst Coverage

According to information available to us, analysts listed below (the list may not be exhaustive) monitor Teleste's performance on their own initiative publishing investment analyses about us. Teleste takes no responsibility for the opinions expressed by analysts or for any evaluations presented by them.

For analyst contact information visit our company website.

Enskilda Securities, Antti Karessuo
EVLI, Mikko Ervasti
FIM, Mark Mattila
Handelsbanken Capital Markets, Karri Rinta
Kaupthing Bank, Mika Metsälä
Danske Markets Equities, Ilkka Rauvola
Nordea Markets, Martti Larjo
Pohjola Pankki plc, Hannu Rauhala
Swedbank, Antti Saari
Ålandsbanken Equities, Matti Riikonen

Annual General Meeting

Teleste Corporation's Annual General Meeting will be held on Friday, 9 April 2010, commencing at 3 p.m., in Terrace Hall at Finlandia Hall in Helsinki, 13 e Mannerheimintie. Registration and distribution of voting tickets begins at 2 p.m.

The Right to Participate and Registration

Each shareholder, who is registered on Friday, 26 March 2010 in the shareholders' register of the Company maintained by Euroclear Finland Ltd, has the right to participate in the Annual General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the Company. A shareholder, who wants to participate in the Annual General Meeting, should register for the meeting no later than Wednesday, 31 March 2010 at 4 p.m. by giving a prior notice of participation to the Company.

Such notice can be given
by email investor.relations@teleste.com;
by telephone +358 2 2605 611;
by telefax +358 2 2605 812; or
by regular mail to the address Teleste Corporation, Tiina Vuorinen, P.O. Box 323, FI-20101 Turku, Finland.

The notice should be delivered to the Company before the deadline for registration. In connection with the registration, a shareholder should notify his/her name, personal identification number, address, telephone number and the name and personal identification number of a possible assistant or authorized representative. The personal data given to Teleste Corporation is used only in connection with the Annual General Meeting and with the processing of thereto related necessary registrations.

Pursuant to Chapter 5, Section 25 of the Finnish Companies Act, a shareholder who is present at the shareholders' meeting has the right to request information with respect to the matters to be considered at the meeting.

Use of an Authorized Representative and Powers of Attorney

A shareholder may participate in the Annual General Meeting and thereby use his/her rights via an authorized representative.

An authorized representative shall produce a dated power of attorney or otherwise in reliable manner demonstrate his/her right to represent the shareholder. Should a shareholder participate in the meeting by means of several authorized representatives representing the shareholder with shares in different book-entry accounts, the shares by which each authorized representative represents the shareholder shall be identified in connection with the registration.

Possible powers of attorney should be delivered in originals to the address Teleste Corporation, Tiina Vuorinen, P.O. Box 323, FI-20101 Turku, Finland by Wednesday, 31 March 2010 at 4 p.m. at the latest.

A Holder of Nominee Registered Shares

A holder of nominee registered shares is advised without delay to request necessary instructions regarding the registration in the shareholders' register of the Company, the issuing of powers of attorney and the registration for the Annual General Meeting from his/her custodian bank. The account management organization of the custodian bank will register a holder of nominee registered shares, who wants to participate in the Annual General Meeting, to be temporarily entered in the shareholders' register of the Company at the latest 6 April 2010 at 10 a.m.

Other Information

On the date of this notice of meeting, the total number of shares and votes in Teleste Corporation is 17,805,590.

Dividend Policy

Teleste wishes to be an attractive investee corporation in which the investment's increase in value and the dividend yield form a competitive combination. The annual proposal for the dividend is validated by the Board in consideration of profitability, financial situation and needs for investment necessitated by profitable growth.

Proposal for Distribution of Dividend 2009

The Board of Directors proposes that a dividend of EUR 0.08 per share for the financial year 2009 will be paid to free-floating shares. The dividend will be paid to shareholders who are registered on the record date of 14 April 2010 on the company's Shareholder List, which is kept by Euroclear Finland Ltd.

Payment of Dividend in 2010

Annual General Meeting 9.4.2010
Dividend ex date 12.4.2010
Dividend record date 14.4.2010
Dividend payment date 21.4.2010

Dividend history, EUR

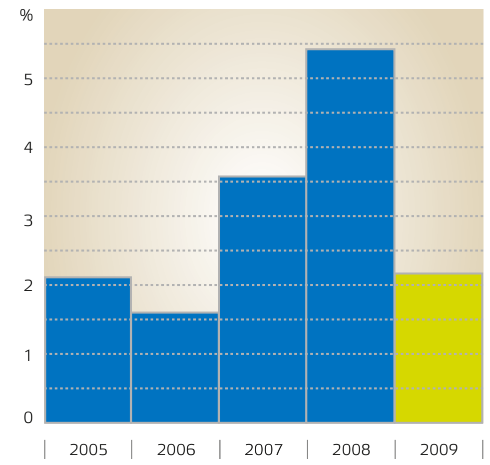
1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
0.10	0.12	0.16	0.08	0.08	0.12	0.16	0.20	0.24	0.12	0.08

* Proposal by the Board

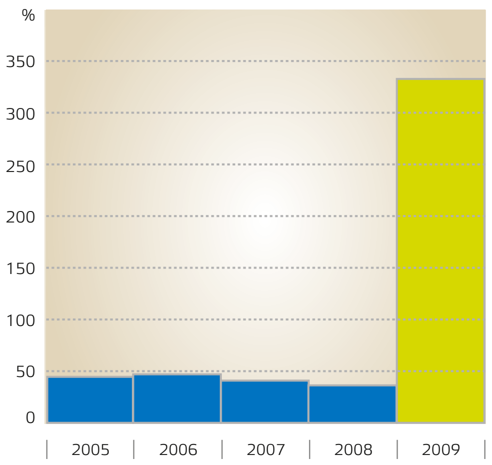
For proposals by the Board for the General Meeting and other additional information about the Annual General Meeting is available at Teleste's website: www.teleste.com/Investors/Corporate Governance/Annual General Meeting.

Minutes of the Annual General Meeting will be available at Teleste's website as from 23 April 2010.

Effective Dividend Yield



Dividend per Net Result



Share Prices and Trading

As to the company share price in 2009, the low was EUR 2.25 (1.90) and the high EUR 4.30 (7.49). Closing price at the end of the year stood at EUR 3.72 (2.24). In 2007, 7.8 (11.5) million shares standing for 44.0% (64.6%) of the share capital were traded on the OMX Nordic Exchange Helsinki.

Market capitalization at the year-end stood at EUR 66,236,795 (2008: 39,884,522).

Share Capital and the Number of Shares

At the balance sheet date, Teleste's registered share capital stood at EUR 6,966,932.80 divided in 17,805,590 shares.

In May 2008, the Board of the company decided to launch a re-purchase program of own shares based on authorisation granted by the Annual General Meeting. In compliance with the Board's decision, in the review period 78,530 (421,470) shares were purchased out of the total amount of 500,000; the purchase price averaged EUR 3.36 (3.29) per share. At the end of December, the number of own shares in the Group possession stood at 379,985 (766,191) out of which parent company Teleste Corporation had none (0) and the subsidiary Teleste Incentive Oy had 379,985 shares, respectively. At the end of the period, the Group's holding of the total amount of shares amounted to 2.13% (4.3%). On 10 June 2009, the number of company's own shares conveyed by authorisation granted by the Annual General Meeting of 2009 for the additional purchase price of DINH Telecom acquired on 2 April 2007 was 464,736, making 2.61% of the share capital.

Flagging Notifications

With the share transactions carried out on 14 and 29 January 2009, EM Group Oy flagged their holding of Teleste to have increased up to 5.04% and 10.57%, respectively.

With the share transaction carried out on 10 February 2009, Reima Kuisla flagged his holding of Teleste to have increased up to 5.59%.

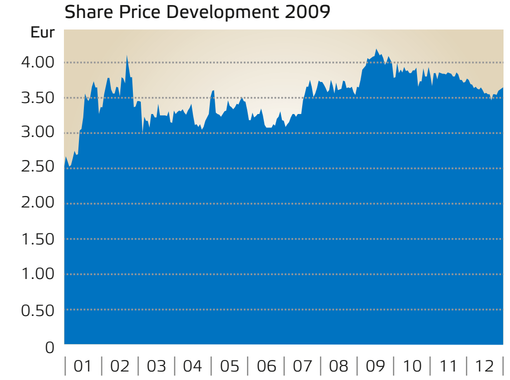
With the share transaction carried out on 26 February 2009, Reima Kuisla flagged his holding of Teleste to have decreased down to 0%.

With the share transaction carried out on 26 January 2009, EM Group Oy flagged their holding of Teleste to have increased up to 20.32%.

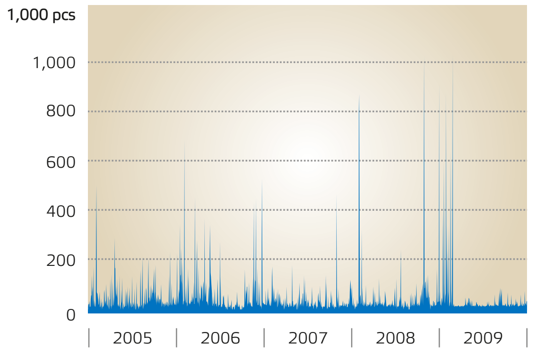
Authorisations to the Board

On 7 April 2009, the Annual General Meeting authorised the Board to acquire the maximum of 900,000 of the company's own shares and to convey the maximum of 1,744,721

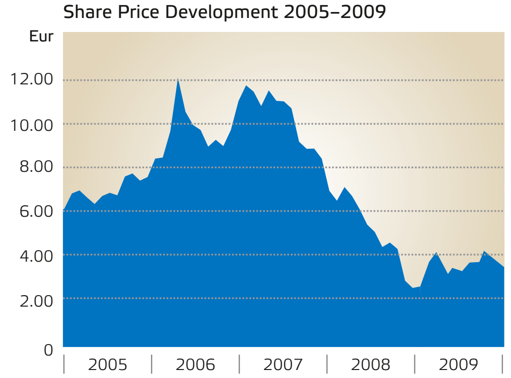
Share Price Development 2009



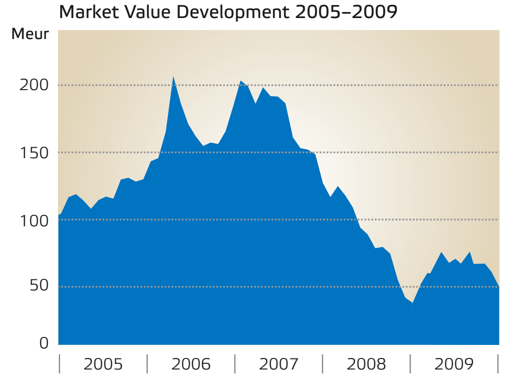
Share Turnover 2005–2009



Share Price Development 2005–2009



Market Value Development 2005–2009



Stock Option Plans

Date of Annual General Meeting	Stock option program	Number of shares	Subscription period	Subscription price	Period of subscription price
16.3.2004	2004B1	150 000	1.4.2008–30.4.2010	5.75	1.–30.4.2005
16.3.2004	2004B2	150 000	1.4.2008–30.4.2010	5.75	1.–30.4.2005
3.4.2007	2007A	280 000	1.4.2010–30.4.2012	12.33	1.–30.4.2007
3.4.2007	2007B	280 000	1.4.2011–30.4.2013	6.58	1.–30.4.2008
3.4.2007	2007C	280 000	1.4.2012–30.4.2014	3.57	1.–30.4.2009

Annually paid cash dividends will be deducted from the share subscription price on the dividend record date, after the Shareholders' Meeting.

Listed options:

The 2004B options distributed to Teleste key personnel were listed on NASDAQ OMX Helsinki Ltd on 1 April 2008. Period for subscription of 2004B stock options expires on 30 April 2010. Terms and subscription forms for share option plans with valid subscription period are available at Teleste website.

In 2009, no stock option rights were exercised for subscriptions.

company's own shares. The AGM also authorised the company Board to issue 10,000,000 new shares. Pursuant to the special rights provided by the company, the maximum number of significant shares is 5,000,000; these special rights are included in the authorisation to issue 10,000,000 new shares.

The authorizations are valid until the Annual General Meeting of Shareholders for year 2010.

Share-based Incentive Schemes

The target with Teleste's system of payroll and incentives is to support the business strategy. Incentive schemes are geared to promote performance within the company in general as well as individually. Incentives used by Teleste include bonus pay, payment by results and share-based schemes.

Ownership by Management and Members of the Governing Bodies on 31 December 2009

On the balance sheet date, CEO and the Members of the Board owned 98,956 Teleste Corporation shares equalling to 0.56% of all shares and votes (corrected information to the Board of Directors' Report).

Based on stock option rights, CEO was entitled to subscribe 160,000 shares. On the balance sheet date, the ownership including rights of options by the CEO and the Board amounted to 258,956 shares, which is equal to 1.37% of all shares and votes. Based on the rights of options, the company amount of shares may increase by 1,140,000 shares equalling to 6.02% of all shares and votes.

Report on Corporate Governance and Control System

Teleste Corporation complies with the Finnish Corporate Governance Code, which was issued by the Securities Market Association on 20 October 2008, and entered into force on 1 January 2009.

The Corporate Governance Statement will be issued separately from the company's annual report, and it will be available on Teleste's website under Investors. This Statement will be issued annually.

Teleste Corporation aims at organising its management in a consistent and functional manner. The governance is based on the Finnish Companies Act and Teleste Articles of Association. Teleste abides by the Securities Market Act, rules and regulations for the public companies issued by the Helsinki Stock Exchange (including the Corporate Governance for the listed companies in Finland), and rules and regulations issued by the Financial Supervisory Authority.

The company has confirmed the set of applied key values.

Insider Register

Since 1 March 2000 Teleste complies with the insider guidelines issued by the NASDAQ OMX Helsinki Oy in their valid form at any given time. These insider guidelines are complemented by Teleste's internal guidelines.

Membership in the Teleste Corporation permanent inner circle is based on position. Thus, the group consists of members of the Board of Directors, CEO and the auditors. Furthermore, the extended inner register includes members of the Management Group and the CEO's assistant. Moreover, insider rules and regulations include provisions concerning temporary commercial activities. Project-specific insider register includes personnel who, based on their position, have access to company-related information, which upon publication may affect the value formation of the company's share. The CEO will assess, on a case-by-case basis, whether an issue or arrangement under preparation will be defined as a project.

It is recommendable for those included in the insider register to time any intended trading involving company shares and derivatives in such a manner that optimum information affecting the value of the shares is available in the market at the time. The permanent members of Teleste Corporation's insider register are obliged by the so-called Silent Period during which trading on company shares is banned completely for 14 days preceding publication of interim reports and the financial statements. During the specified period Teleste Corporation will not engage in any meetings with investors or analysts and no Teleste Group representative is allowed to comment upon company results. The company insider administration is included in the SIRE system of Euroclear Finland Ltd.

Public Insider Register with Share Holding and Stock Options on 31 December 2009

	Basis	Shares	Options
The Board of Directors			
Miettinen Marjo	Chairman of the Board of Directors	3 900	–
Ervi Pertti	Member of the Board of Directors	2 437	–
Laaksonen Tero	Member of the Board of Directors	25 589	–
Raatikainen Pertti	Member of the Board of Directors	9 980	–
Telanne Kai	Member of the Board of Directors	4 256	–
Walldén Petteri	Member of the Board of Directors	2437	–
Total		48 599	
Management			
Rinnevaara Jukka	President and CEO	50 357	160 000
Järvenreuna Juha	Other criteria for disclosure requirement	1 942	65 000
Mattila Markus	Other criteria for disclosure requirement	–	30 000
Myllylä Esko	Other criteria for disclosure requirement	4 061	55 000
Narjus Hanno	Other criteria for disclosure requirement	–	45 000
Saarikoski Erja	Other criteria for disclosure requirement	5 158	60 000
Slotte Johan	Other criteria for disclosure requirement	3 535	65 000
Vuorinen Tiina	Other criteria for disclosure requirement	330	4 200
Total		65 383	482 200
Auditors			
Kailiala Esa	Chief auditor	–	–

For presentation of the Members of the Board of Directors see Annual Report page 30. For presentation of the company Management Group see page 31.

Up-to-date information concerning holdings of shares and options of the insiders with duty to report are available at Teleste website.

Largest Owners on 31 December 2009

		Shares	Percentage of shares
1.	EM Group Oy	3 617 552	20.32
2.	Mandatum Life	1 679 200	9.43
3.	Ilmarinen Mutual Pension Insurance Company	894 776	5.03
4.	Kaleva Mutual Pension Insurance Company	824 641	4.63
5.	Aktia Capital Mutual Fund	524 200	2.94
6.	Varma Mutual Pension Insurance Company	521 150	2.93
7.	The State Pension Fund	500 000	2.81
8.	Skagen Vekst Verdipapierfond	437 000	2.45
9.	FIM Fenno Mutual Fund	401 342	2.25
10.	Teleste Incentive Oy	379 985	2.13
11.	Mutual Insurance Company Pension-Fennia	220 000	1.24
12.	Martnok Oy	175 413	0.99
13.	Placeringsfonden Aktia Secura	147 995	0.83
14.	Sumato Oy	142 610	0.80
15.	Evli Bank Plc	141 000	0.79
16.	Stadigh Kari Henrik	100 000	0.56
17.	Renkkeli Oy	100 000	0.56
18.	Nieminen Jorma Juhani	100 000	0.56
19.	Onnivaatio Oy	70 000	0.39
20.	Nelimarkka Heikki Antero	63 991	0.36

The provided data is based on the company shareholders' register kept by Euroclear Finland Ltd.

Redemption Obligation

Teleste Corporation's Articles of Association include a clause related to redemption obligation. This article stipulates that a shareholder, whose proportional holding of all Company shares, either individually or jointly with other shareholders, as defined hereinafter, is equal to or exceeds 33 1/3 per cent or 50 per cent (shareholder subject to redemption obligation) as defined hereinafter, is obliged, on demand by other shareholders (shareholders with rights of redemption), to redeem such shareholders' shares, and securities giving entitlement to them under the Companies Act, in the amount so demanded by the shareholders with rights of redemption and in the manner stipulated in this Article. This clause involving the redemption obligation has been specified in detail in the Articles of Association.

Distribution of Ownership on 31 December 2009

According to Euroclear Finland Oy the number of shareholders at the end of the period under review was 5,440 (5,532). Foreign ownership accounted for 9.69% (11.18%).

Sector Dispersion

Shareholders	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
Corporations	323	5.93	5 577 581	31.32
Financial and insurance institutions	14	0.25	3 288 681	18.46
Public bodies	7	0.12	2 172 976	12.2
Non-profit organisations	41	0.75	569 055	3.19
Households	5 012	92.13	4 471 934	25.11
Foreign and nominee register accounts	43	0.79	1 725 363	9.69
Total	5 440	100	17 805 590	100

Holding Dispersion

Number of shares	Number of shareholders	Percentage of shareholders	Shares	Percentage of shares
0–100	1 206	22.16	85 172	0.47
101–1 000	3 209	58.98	1 334 199	7.49
1 001–10 000	926	17.02	2 600 455	14.6
10 001–100 000	82	1.5	2 015 851	11.32
100 001–1 000 000	15	0.27	6 473 161	36.35
1 000 001–	2	0.03	5 296 752	29.74
Total	5 440	100	17 805 590	100

Key Figures per Share

	2009	2008	2007	2006	2005
Earnings per share, eur	0.02	0.32	0.55	0.41	0.35
Earnings per share fully diluted, eur	0.02	0.32	0.52	0.38	0.33
Shareholders equity per share, eur	2.68	2.74	2.69	2.22	1.92
Dividend distribution, Meur	1.4	2.0	4.2	3.4	2.7
Dividend per share, eur	0.08*	0.12	0.24	0.20	0.16
Dividend per net result, %	331.3	37.4	43.9	49.5	45.7
Effective dividend yield, %	2.2	5.4	3.6	1.7	2.1
Closing price, eur	3.72	2.24	6.71	11.63	7.45
Price per earnings (P/E)	137.8	7.0	12.3	28.6	21.0
Market capitalisation, Meur	66.2	39.9	118.6	202.2	129.2
Turnover, Meur	28.5	51.1	72.4	138.9	75.3
Turnover, number in millions	7.8	11.5	7.2	14.2	10.8
Turnover, % of share capital	44	64.6	40.5	81.4	62.3
Average number of shares	17 805 590	17 708 782	17 494 435	17 363 102	17 339 752
Number of shares at the year-end	17 805 590	17 805 590	17 671 305	17 389 302	17 339 752

* The Board's proposal to the Annual General Meeting

A Summary of Teleste Corporation's Stock Exchange Releases and Announcements During 2009

During year 2009 Teleste published in all 21 releases.
The releases can be viewed at:
www.teleste.com/Investors > Stock Exchange Releases

Some of the information included in the releases might be out of date.

14.1.2009 Teleste Corporation's Annual Summary of stock exchange releases during year 2008.

15.1.2009 Flagging notification: EM Group Oy's holding exceeds 5% of Teleste's share capital and voting rights.

29.1.2009 Flagging notification: EM Group Oy's holding exceeds 10%.

4.2.2009 Teleste Corporation's Financial Statement for year 2008. Net sales amounted to EUR 108.7 million and operation profit 5.6 million.

10.2.2009 Flagging notification: Reima Kuisla's holding exceeds 5%.

26.2.2009 Flagging notification: Reima Kuisla's holding decreased to 0%.

26.2.2009 Flagging notification: EM Group Oy's holding exceeds 20%.

6.3.2009 Due to the continued uncertain market situation Teleste expands the co-determination negotiations.

13.3.2009 Teleste Corporation's Annual Report 2008 published.

16.3.2009 Notice of Annual General Meeting of Teleste Corporation to be held on April 7th 2009.

7.4.2009 Decisions of the Annual General Meeting (AGM) held on April 7th. The AGM resolved to distribute a dividend of EUR 0.12 per share for 2008.

22.4.2009 Teleste Corporation's Interim Report 1.1.–31.3.2009. Net sales amounted to EUR 25.6 million and operating profit –1.2 million.

10.6.2009 Disposal of Teleste's own shares concerning the purchase of DINH Telecom S.A. share capital.

1.7.2009 Teleste develops further its services business by acquiring AVC Systemhaus GmbH, the fourth services business company in Germany.

22.7.2009 Teleste Corporation's Interim Report 1.1.–30.6.2009. Net sales amounted to EUR 30.6 million and operating profit 0.4 million.

22.7.2009 Teleste received an order from German NetCologne GmbH worth EUR 3.9 million.

11.9.2009 Teleste received an order from Chicago Transit Authority (USA) worth approx. EUR 3 million.

17.9.2009 Teleste received an additional order from German NetCologne worth EUR one million.

23.9.2009 Teleste Corporation's financial calendar in 2010.

27.10.2009 Teleste Corporation's Interim Report 1.1.–30.9.2009. Net sales amounted to EUR 41.7 million and operating profit 1.6 million.

2.11.2009 Teleste received an order from German Versatel Telekabel AG worth about EUR 2.2 million.

TELESTE

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